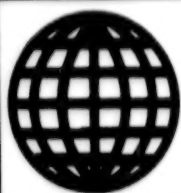


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4 November 1992



**FOREIGN
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JPRS Report

East Europe

East Europe

JPRS-EER-92-154

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Nature, Threat of Balkanization Discussed

93CH0050A Bratislava KULTURNY ZIVOT in Slovak
30 Sep 92 p 4

[Review by Miroslav Kusy: "De-Balkanization"]

[Text] At the time of the bloodbath in the Balkans, the title of the Valencia conference (4-6 September) sounds almost absurd: "Peaceful and Democratic Integration of the Balkan Region into Europe." However, someone with a vision must plan this one and only acceptable future for the Balkans. On the level of nongovernmental organizations, the Helsinki Civic Association (HCA) took that task upon itself and prepared the "Project for Peace and Integration of the Balkans," which envisages a number of different acts. The conference in Valencia was but one of the many important proposals of that project.

Its purpose was to initiate a dialogue between the citizens of individual Balkan countries, to seek ways to cooperate and overcome conflicts, as well as to define principles and values which may help save peace and democracy in that region by emphasizing tolerance and human rights.

It was not a run-of-the-mill conference to which academia is accustomed—prepared papers, theoretical discussions, summations, everything tailored for publication in a compendium serving as evidence of performance. The HCA is an action forum and the conference was planned to help translate its Balkans project into reality. For that reason, it was organized as follows: Objective analyses of the situation were aimed at finding answers to the vitally important problems of practical solutions to the Balkan situation—what can the HCA do as an NGO [Nongovernmental Organization], what series of practical steps should we take, who should be approached?

In her word of introduction, the HCA's indefatigable deputy chairperson, Sonja Lichtova, defined the only kind of European integration that can be considered for the Balkan region, namely, civic integration of Europe. Nevertheless, such integration is feasible only if all inhabitants of Europe are willing to co-exist in it as its citizens—in other words, not as members of this or that nation fighting for its prestige on an all-European level, but if they can live together as equal citizens of Europe, which represents a superior integrated unity.

In his report on the consequences of Yugoslavia's disintegration, Dusan Jencic underscored the current tragic dilemma of the Balkans. The Balkans are faced with only two alternatives: 1. Europeanization, i.e., the way of European integration based on regional cooperation, or 2. Balkanization, which is a synonym for the breakup into small, nonviable, geopolitically weak units. Its manifestation is the struggle for national identity at any cost and the fight for "its own space." Yugoslavia is the very archetype of Balkanization, a classic proof that Balkanization engenders material, political, cultural and spiritual disintegration. The resulting national states are

clearly immature in three respects: 1. They are profoundly undemocratic because they have no constitutional identity of their own, and their ideology of a nation-state cannot meet that role; 2. They lack a definitive structure and cannot cope with it in terms of power; therefore, they cannot adequately control their territory; 3. They lack an international identity and have not succeeded in gaining international recognition. Even Slovenia's and Croatia's recognition remains quite controversial to this day.

Here again it was evident that simple radical solutions are controversial. The discussion got snarled on two issues: 1. Solution to the Balkans problem by means of foreign political and military intervention, and 2. Solution by means of cantonization of the Balkans.

Mr. Papandreou (the son of the well-known prime minister) from Greece resolutely opposed any kind of intervention. In his view, Europe must keep hands off the conflict and must not let itself be dragged into it. Europe aims at multinationalism. "Hands off" means to protect and safeguard its multinational character. Every group that strives for "ethnic purity" acts against such a Europe. According to nationalist logic, the first and foremost task is to look for an enemy. Mr. Rioja from Spain also categorically rejected intervention: Europe—in his words—must take no part in that war, no matter what. Dieter Eche from Germany supported intervention. He said that Europe is moralizing while a brutal war in the Balkans is going on. However, military intervention to him does not mean bombing Belgrade, but rather efficient practical actions, as, for instance, military escort for convoys with humanitarian aid, and so on. According to Radha Kumar of India, prevention is far more effective than any military strike, which takes place only after the fact. The solution to the Balkan situation calls for the presence of independent military units; however, such units should be of a different type and have different powers than those the current UN units have. Mient Jan Faber (the Netherlands) pointed out the paradox that it may even be advantageous for the aggressor to summon to his borders UN military forces and then settle his bloody accounts within the borders protected by them: That is the case of Serbia.

According to Milan Nikolic, the chairman of the Social Democratic Party of Serbia, cantonization may be a rather poor solution, yet it is preferable to any other. Likewise, Faik Dizdarevic (former ambassador of Yugoslavia in Spain) of Bosnia sees cantonization as the only feasible solution. However, Gazmend Pula of Kosovo expressed serious doubts about the purpose of such a solution because under such circumstances only the Serbian military machinery would be able to "cantonize" Bosnia—and precisely that cannot be permitted. Mient Jan Faber rejected the cantonization philosophy: After all, we cannot support any processes based on ethnic principles. Cantonization provides no permanent solution. Speaking for the EC, Frazer Cameron supported that opinion: To be sure, the EC project is intended to establish a civic society in Central and East

Europe. Mr. Papandreou said that we must find an answer to the question how can the people in this region coexist, and not how to separate them from one another by cantonization. A desirable objective for the Balkan community is to initiate a constructive discussion of mutual problems.

The moving force behind the whole Balkan conflict is the clash of nationalisms. Stefano Bianchini from Italy offered penetrating reflections on nationalistic logic which destroyed all rational solutions to the rampant problems of the Balkans. The nationalistic logic is a unique logic. It teems with abstract "irrefutable" truths, for instance: "Every nation has a right to its own statehood!" However, how can the "natural right of any nation" be implemented in an ethnically mixed territory? Therefore, questions must be formulated in a different way. For example: How can the right to national identity be guaranteed in a multinational state? Can it be done by means of collective rights or citizens' rights? Papandreou presented another timely example of the nationalistic logic of Balkan antagonists. Each of them says: We must be stronger than "they"; our borders must be protected with stronger forces; we must be tougher; we must have better arms, and so on. That is the logic of a conflict that continues to spread and increase. It is the philosophy of the survival of the fittest according

to the motto: Nationalism has an answer for every problem! Josif Tanevski of Macedonia pointed out that it is easy to fight against nationalism "on the other side": First of all, however, each one of us must fight against nationalism and jingoism in his own nation.

As I sat at this conference and listened to the representatives of the peoples engaged in the bloody Balkan conflict as they sought a way out from the abyss where their nations had been cast by their ambitious leaders, I felt my blood run cold. I realized that in fact, this was not about "the others," this was, above all, about us. Balkanization is just as much our problem; it is taking place right before our eyes. The typical nationalistic logic that leads to such Balkanization is having its orgy right here, in this country, and we just stand around and pay little attention—as though we were looking at a little brat to whose tantrums we are quite accustomed. However, this kid is already past his adolescence; his "high jinks" have long ago ceased to be harmless to us. If we fail to come to our senses soon, his "escapades" will bring about catastrophic consequences for us.

If we cannot learn from other people's mistakes, we shall be forced later to learn from our own mistakes. Then we shall organize a conference about how to disentangle ourselves from our own misfortune.

Skopje Paper's Report From Tirana

93P20033A Skopje FLAKA E VELLAZERIMIT
in Albanian 2, 4, 6, 13 Sep 92

[Article by Bujar Skendaj, permanent correspondent of FLAKA EVELLAZERIMIT in Tirana: "News From Albania"]

[2 Sep p 6]

[Excerpts] [passage omitted] The reactivation of factories and plants and the resumption of work by workers have begun in almost all areas of the country, albeit gradually and partially. [passage omitted]

Work is resuming in the ferrochrome plant in Burrel—an important enterprise. The directors of this plant are giving priority attention to supplying raw materials, such as chrome ore, coke, and quartz. Currently, all three are being processed in the same smelting oven and 30 metric tons of chrome have been processed. All possibilities exist for putting another oven into operation but the obstacle is the lack of iron. When iron is obtained, current production will be doubled. Work has begun again in some other enterprises in this district. Production is increasing and fewer workers are receiving state assistance.

The same atmosphere prevails in other districts. Activity is beginning once again in the port of Shengjin where work has been suspended for some time. But they say that there are many problems as a result of the long period of inactivity. Nevertheless, the economic and financial indices show that if work is done with even greater responsibility and if ratios between work and compensation are put in order, by abandoning outmoded practices, then work will continue on a permanent basis. [passage omitted]

[4 Sep p 6]

[Excerpt] [passage omitted] The employment of Albanian specialists and workers outside the country continues. The most recent instance is the departure of 150 Albanians for work in the Republic of Croatia, under very favorable emigration conditions. They are expected to stay there until the end of 1993. Their number can increase to 500. These workers were selected from the northeastern part of Albania, which has a lower standard of living and greater economic needs than the other areas of the country. [passage omitted]

[6 Sep p 6]

[Excerpt] [passage omitted] During this hot summer, not even the forests could keep from getting burned—excessively large areas considering Albania's small size. About 20 hectares of pine forests in Korce District and in Tropoje were consumed by flames. In both cases, the reaction and the action of the people were too late, not to mention that they were asleep, along with the respective enterprises and the ministry. There is little chance that the causes of the fires will be discovered. According to Albanian Radio-TV, it is believed that the fires were the result of criminal activity. Perhaps....

The liberalization of prices was accompanied by speculation on the part of some private businessmen. This happened, chiefly, in regard to the "basket" of basic food items—products which are thought to be most essential for consumers and for which the state has decided to set ceiling prices. Maximum prices have been set for the sale, by private merchants, of meat, cheese, butter, and flour, which are obtained by the state in different ways, such as through aid. If the merchants obtain the items themselves then they set the prices themselves, according to supply and demand, on the basis of free enterprise. This represents assistance from the government to the people in this difficult transition phase. At the same time, it limits the speculation which might occur when merchants who have not paid anything to obtain goods sell them at high prices, which they have the right to do when they obtain the items themselves and spend money for transporting them.

[13 Sep p 5]

[Excerpt] [passage omitted] In order to eliminate the possibility of the unauthorized removal of hard currency from the country, the Albanian Government has decided that each person will be allowed to take out of the country 200 dollars in U.S. currency for each day of private or business travel. For amounts of money above this limit, documents certifying that capital is not being transferred will be required.

Recently, the private exchange rate for currency in Tirana and other cities has fluctuated considerably. Within a short period of time the dollar fell from 120 leks to 80 leks. Some believe that the fall of the dollar on the private "exchange" was the result of the arrest of Hajdin Sejdia [Albanian-Swiss businessman accused of defrauding investors], but others think that it was a maneuver of the State Bank to strengthen the Albanian lek, which would have a good effect on the implementation of the financial reform. [passage omitted]

Macedonian Weekly on Bulgarian Arms Scandal

93BA0095A Skopje PULS in Macedonian 15 Oct 92
pp 10-11

[Article by Iso Rusi: "Bulgarian Rifle on a Macedonian Shoulder"]

[Text] Is Macedonia buying weapons? Who is helping it to violate the embargo on the sale of weapons to the former Yugoslav republics? Is there a "Bulgarian connection"? Is it possible for Macedonia to be merely a screen? Who profits from such deals? These are only some of the questions related to the affair affecting our eastern neighbor, in the course of which Macedonia is the party most frequently mentioned.

For the past 30 days or so, the number-one event in neighboring Bulgaria is the trade in weapons, involving our current top leadership. In this sensitive affair that has caused a major upheaval among the authorities currently governing our neighbor, Macedonia has become most directly involved, despite its will. Simply said, the alleged sales of Bulgarian weapons to Macedonia is the theme of the most heated political event in Sofia.

Everything began with a statement made by General Brigo Asparukhov, director of the Bulgarian National Intelligence Service, at a press conference held on 18 September. Referring to statements about Bulgarian involvement in the arms trade with the former Yugoslav states, Asparukhov stated firmly that his service had no intention of concealing information, even if some of it affected individuals close to the authorities, specifying that that did not apply to the ministers in the government but to individual advisers because there existed some proof that one of them had become involved in the arms business. He refused to name him, reminding his listeners that all of the facts had been presented to the top leadership. Subsequently, in a television broadcast, the national security adviser to the Bulgarian president said that it had been confirmed that government adviser Konstantin Mishev had carried out assignments "related to the area of the embargo imposed by the United Nations involving Macedonia that could affect some sensitive matters" on the orders of Prime Minister Filip Dimitrov. President Zhelyu Zhelev was equally clear when, in an interview granted to the daily 24 CHASA, he unequivocally accused the prime minister and the government of being involved in the sale of weapons to Macedonia.

After several public outbursts, in the course of which President Zhelev (who has jurisdiction over the intelligence service) defended Gen. Asparukhov, while Prime Minister Dimitrov defended his adviser Mishev, some 10 days later a summit meeting was held. It was attended by, in addition to the president of the Republic, the prime minister, the ministers of internal affairs and justice, the chairman of the parliament's National Security Commission and his deputies, the state prosecutor, the president's national security adviser, and the chief of

the security service. All that is known about it is the statement by the prime minister that Zhelev had convinced them that Gen. Asparukhov had not acted maliciously and that he had accepted his apologies.

Only the previous week, the Sofia "business, politics, and show weekly" known as 168 CHASA had carried, on its front page, a story according to which, at the beginning of last August, Konstantin Mishev, the personal adviser of Bulgarian Prime Minister Filip Dimitrov, had met in Blagoevgrad with representatives of a Bulgarian company and Macedonian middlemen. "The purpose of the business contacts was the purchase and sale of light infantry weapons—submachine guns, machine guns, and electronic items from Bulgaria." This, despite the fact, as admitted by the weekly, that the Blagoevgrad business company had no license to trade in weapons. Naturally, it cited "a trustworthy source who wished to remain anonymous." The weekly then claimed that a second meeting was held at the end of August in Macedonia. Once again, it was held in the presence of Konstantin Mishev ("whose pro-Macedonian efforts are known because his origins are in Strumica"), as well as of "pro-Serb individuals, some of whom, according to our source, are agents of the SDB [State Security Service] (the former UDBA [State Security Administration], the former counterespionage service)." It is more likely that the quarrel between Zhelev and Dimitrov is an increasing controversy over the assessments of the present Macedonian situation, in which the side supporting Zhelev claims that the current Macedonian authorities are pro-Serb and procommunist (the interview granted by Gen. Asparukhov to 168 CHASA), whereas the opposite view is held by the prime minister. (Does this mean there are also two lines within Bulgarian officialdom—the one promoting the official and the other the party contacts?) The weekly also claims that, on 12 August, during the one-day trip to Burgas, the sale of weapons was also discussed by President Gligorov and his host, Zhelev.

This case is also assuming international connotations because of Bulgaria's fear of being targeted by the UN for having violated the embargo on the sale of weapons to one of the former Yugoslav republics. Even before the news conference was given by Gen. Asparukhov, a Cypriot and a Greek newspaper simultaneously published an article by the same author, entitled "Bulgarians Are Arming Skopje." Naturally, that was followed by the claim that "Skopje" and Gligorov having chosen to arm their forces with weapons of Bulgarian origin, thus become "significantly dependent on Bulgaria, whose long-term objectives, both for the entire area as well as for Skopje, are known." The Greek media continued to make use of this affair after the recent visit by Aleksandur Staliyski, the Bulgarian defense minister, and his statement that Bulgaria has never delivered or sold weapons to Macedonia.

Some Bulgarian newspapers, nonetheless, claim that pro-Serb Macedonian representatives at the meetings in Blagoevgrad and, subsequently, in Macedonia, are the

same people who informed Serbia of the contacts made, although their origin can be traced to Athens and are aimed at harming Bulgaria. Also in that context is the visit the Yugoslav prime minister paid to Sofia and his meeting with Prime Minister Dimitrov, a meeting from which President Zhelev and then Minister of Foreign Affairs Stoyan Ganev quite publicly and openly disassociated themselves. True, it is also claimed that the weapons are not for us at all but are being sold to Serbia and Bosnia-Herzegovina, with Macedonia used as a screen.

Therefore, this entire affair could be interpreted as an aspect of Bulgaria's domestic political ferment, which did not abate after the last election, won by the Union of Democratic Forces [SDS]. The SDS coalition and the recent party conference fully supported Prime Minister Dimitrov and tabled the question of a vote of confidence in his Cabinet in parliament, with a firm statement that the SDS will not participate in any other government or suggest a different cabinet. At the same time, the rating of President Zhelev, according to the Bulgarian Gallup poll, is rising, whereas that of the prime minister is falling.

The same kind of conflict can be seen in the issues of the Bulgarian Army and the Bulgarian military-industrial complex. In Sofia, it is no secret that the minister of defense is the prime minister's man, whereas the chief of General Staff is Zhelev's man. Recently, a statement was even made, true, in a small private newspaper that Zhelev wanted to declare a state of emergency in the country because of an alleged threat of a Serbian raid on the Kozloduy nuclear power plant and therefore have the Cabinet fall! On the other hand, indications were recently made public that the Bulgarian military-industrial complex has military hardware stored in warehouses, worth in excess of \$800 million! Therefore, although Prime Minister Dimitrov said in parliament that the government has no intention of violating international arms trade rules, there are many who claim that the "funds frozen in military equipment" are a strong enough reason to engage in such trade, although "under the table."

At any rate, what is least arguable in this entire affair of the alleged sales of Bulgarian weapons to Macedonia is that councillor Mishev had established contacts with someone to explore the possibility of selling or offering, or had even already sold, weapons. The question is, who did he approach? In his interview with 168 CHASA, Gen. Asparukhov claimed that he had been in touch with the deputy minister of internal affairs in charge of intelligence. That is not concealed in Bulgaria. It is being said that Mishev was a member of a delegation of entrepreneurs! Actually, Mishev himself said in a radio interview that "he was in Macedonia only to check whether there had been any demand made by the Macedonian ministry that could be interpreted as a mission related to eventually doing business." On the other hand, in addition to the claims of shipping weapons to other areas in the former Yugoslavia, the question arises of

whether Mishev in general had traded with Macedonia as a state or "perhaps sold weapons to the opposition, meaning the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity]" (according to the newspaper STANDARD).

Back home, let us mention the views of well-informed people close to the authorities who have stated that Macedonia held several meetings on the sale of weapons and that a number of arms merchants had visited the country (it is being said that they have a terrific sense about places where weapons are needed!), but that none of this had led to a specific contract for arms deliveries.

It is an open secret that, when we were still part of Yugoslavia and when the Yugoslav Army was deployed on Macedonian soil, great attention was paid to strengthening the police forces, in terms of both the size of the militia and the amount of their equipment. It was even claimed that the then minister of internal affairs was the person who was supplying Macedonia with weapons through his own channels. However, even that was quite different from what had previously taken place in the case of Croatia. At that time, the opposite was being said: that the MVR [Ministry of Internal Affairs] allegedly was in the hands of the DPMNE, which was strengthening its own forces; that the MVR had been infiltrated by many members of the KOS [Counterintelligence Service]; and that not even the top leadership had remained immune to this. The "Opera" affair, concerning the enterprise of that name, set up by the leadership of the Yugoslav Air Force and Antiaircraft Defense, revealed that the participants in this case were acquiring weapons that had been destined, in part, for the arming of Serbian forces in Slavonija, while some were to be used to worsen relations between Macedonia and Bulgaria and between Serbia and Albania. In a like vein are the alleged visits by envoys of Arkan and Seselj to some areas in the Republic, with offers for the sale of weapons or the intention of arming some of the population. Some aspects of the "Balaban" affair, or else what was rumored about a "conspiratorial" meeting between representatives of the DB [State Security] with the "initiative group" for the raising of paramilitary formations, and the alleged recent disappearance of two barges loaded with weapons gave grounds for further stories concerning weapons in Macedonia.

All this has been denied by Macedonian officials. But the people say that where there is smoke there is fire. In the case of the affair that has shaken up our eastern neighbor, one may say that that is an exception to the rule. One thing is unquestionable: In Macedonia, during the time of the Yugoslav People's Army, not one of the options already described was taken up by the then Yugoslavia in establishing its own military territorial defense forces (as in Slovenia) or strengthening the police (in Croatia), and, even less so, creating party-controlled paramilitary formations. The first option was impossible because the then Ministry of Defense was "cooperating" with the command of the Third Army

District. The withdrawal of the Yugoslav Army even led to unsecured and open borders. The least controversial element in the creation of the Macedonian Army, despite all of its weaknesses, is precisely the matter of weapons. According to reliable sources, the Yugoslav People's Army left on Macedonian territory sufficient arms for 120,000 people. It is true that most of them consisted of light weapons so that further procurements of such weapons would be, in itself, a luxury. Even if such claims are accurate, the list of what is being purchased includes only a few tanks and armored vehicles, which clearly proves the nature of Macedonian economic power. We believe that Prime Minister Crvenkovski is right when he says on this subject that Macedonia does not have the \$60 million needed to import weapons.

Macedonia is unable to procure even what it vitally needs. It is an open secret that it is a problem of securing 850 kilometers of Macedonian borders and the fact that we have "open skies." However, even had the situation been different, considering the military forces surrounding us from the north, the east, and the south, it would be difficult for quite a while for that small state to oppose any resistance.

[Box, p 11]

The Brussels Connection

According to some views, while the Yugoslav People's Army was still deployed in Macedonia, a Macedonian party located in Brussels had engaged in talks with Bulgaria on the possibility of procuring weapons and organizing training grounds, barracks, and other military sites (as a military backup), as well as having 10,000 elite Bulgarian troops (!?) intervene should an eventual conflict break out with the Yugoslav Army. Mention is being made of similar contacts by some of our compatriots temporarily working in Berlin. Speculation in the Bulgarian press also mentions John Bithof, who intends to use his money (earned in drug trafficking!?) as a contribution toward buying weapons for Macedonia, and the ideas of Macedonian conspirators are being mentioned by people who insist on remaining anonymous, according to which the president of the World Macedonian Congress would also like to act as a middleman in supplying us with weapons!

Bulgarian Flour Sells Profitably in Macedonia

93BA0010A Sofia DELOVI SVYAT in Bulgarian
18 Sep 92 p 1

[Article by Marina Boyadzhieva: "Who Allowed Flour Exports?"]

[Text] Naturally, it was the Ministry of Trade. This occurred two months ago. Initially, the decision was to export about 5,000 metric tons. Subsequently, perhaps Aleksandur Pramatarski, the minister of trade, considered the figure too low, so he raised it to 50,000 tons. Every single day 60 tons of flour leave the Sofia mill on their way to Macedonia.

Such exports are causing quite a number of problems for the private grain producers who had signed contracts with the milling combine. For the past month, their carts have been sitting in front of the gates of this large mill in Sofia at 0300, waiting for their containers to be filled. "Priority is given to the large shipments," we were told by Boris Borisov and Genadiy Asparukhov, owners of private companies that bake bread and produce other bakery goods. Instead of four, I am given three containers with flour, Mr. Asparukhov said. He made the point of praising the quality of this valuable raw material. "Bulgarian flour meets European standards. It makes wonderful bread."

This was categorically supported by individuals who have opened small or bigger bakeries.

Mr. Emil Zhivkov, director of the milling combine in Sofia, does not conceal his concern, caused by the increased flour exports and the difficulties that creates for the bread bakers. He is unable to fulfill properly signed contracts. "We did not take part in the flour export auction and were not even sought out as eventual participants," he said. "No one has asked me, as the director, whether I have goods for export. I was instructed to sell on a daily basis to private exporting companies some 50 to 60 tons of white, good-quality flour. I know it is shipped to Macedonia and Serbia. Merchants buy it from me at \$180-200 per ton, whereas there it is sold for 1,350 German marks."

The milling combine sells to private bakers a ton of flour for 3,450 leva, and to exporting companies for \$200. The profit of 1,150 leva seems to go only to the combine. The taxed money goes to the state budget. So far, there is nothing wrong. The difficulty comes from the large funds that are directly pocketed by the merchants. In Macedonia, no one sells flour for less than 1,350 marks. Let us compute! The rate of exchange of the mark is slightly over 15 leva. One ton of flour, consequently, is sold in Macedonia for 20,400 leva. Every day 60 tons of flour leave the milling combine. That yields more than 1.245 million leva. Not a stotinka, however, of this million goes into the pocket of the miller or the farmer. A little bit of money goes to the state treasury, while all the rest goes to the smart merchants.

For the time being, they are profiting heavily. Lyubomir Draganov, the president of the Zurno Company, was right in saying that, if the export of wheat and flour is necessary, it should be entrusted to the state companies or carried out in such a way that the money will help the people who plow and harvest. Alas, once again the Bulgarian peasant has been lied to.

What does Minister Aleksandur Pramatarski think of all such sensitive matters? Nothing in particular. He has realized that the profit will go entirely into the pockets of skillful merchants. However, he realized this only after learning about the price fetched by our goods abroad. However, the quotas have already been issued, and there is no going back. Another question asked by the grain

producers is the following: How can they sell us hot, tasty, and inexpensive bread if their production interests are neglected? No one has granted them credit at low interest so far, or guaranteed them equal rights and prices in flour procurements.

This year, no more than 3 million tons of wheat grain will be poured into the state granaries. Will that be enough for baking bread, considering the rather alarming indications concerning the quality of the wheat? It is being said that the wheat was attacked by the capsid grain bug, and that the gluten was below the admissible level and the wheat not very clean. "The worst variant would be to start importing flour," Rangel Cholakov, chairman of the Union of Private Grain Producers, prophesied. "At that point, whether we like it or not, we may have to raise bread prices."

Zhelev Interviewed on Conflict With Cabinet

AU0910091792 Sofia 24 CHASA in Bulgarian 5 Oct 92 p 6

[Interview with Dr. Zhelyu Zhelev, president of the Republic, by Venelina Gocheva; place and date not given: "Zhelyu Zhelev: I Have Never Committed Myself to a Specific Government"]

[Text] [Gocheva] Mr. President, did you expect the final outcome last Friday [2 October] of the scandalous conflict between the intelligence chief and Konstantin Mishev, the prime minister's adviser, who is supposed to be involved in an illegal arms deal, according to General B. Asparukhov?

[Zhelev] I would not call it a scandalous affair. It was rather a blunder, and the contradictions were smoothed out during the talk that took place in my office.

The intelligence service acted strictly according to the rules and did exactly what it was expected to do. No one ever made any reproaches on that account. The only incorrect step was Gen. Asparukhov's public statement before thoroughly checking even the last details of the whole matter. Therefore, after hearing the full report, I insisted that Gen. Asparukhov apologize to the prime minister in person, which, as far as I know, he did. I am convinced that correct behavior is required in such cases and that there is always a moral aspect to them. If someone behaves incorrectly and commits a blunder, he should always have the courage to admit it.

[Gocheva] Are you not disturbed by the fact that the prime minister's adviser, who is not a civil servant, has, as he himself admitted, conducted negotiations about an arms deal?

[Zhelev] That is a question you should ask the prime minister. Actually, Filip Dimitrov claims that Konstantin Mishev was his personal representative on a special mission abroad. I think the prime minister is entitled to entrust one person or another with the task of representing him, and his right to do so cannot be

contested. The question of competence is a different matter, but this question should be addressed to the prime minister.

[Gocheva] Can we by any chance learn the name of the country with which Mr. Konstantin Mishev is supposed to have conducted talks about an arms deal?

[Zhelev] He has not conducted negotiations with any country, but with certain companies that are trying to get a foothold in the field of arms trade; but we are strictly observing the embargo in that respect. I am convinced that our stand has always been correct and that it remains so.

[Gocheva] Mr. Zhelev, last week you were accused of having tried to overthrow the government at the time of the Sofia City transport strike.

[Zhelev] As a matter of fact, these are very basic and low intrigues, which I do not care about. They could accuse me instead of having tried to help Sofia citizens during the strike by supplying military vehicles to them.

[Gocheva] On the day following the aforementioned scandal, similar accusations were addressed against advisers. We know that, even before the presidential election, the Union of Democratic Forces [SDS] criticized your entourage. Would you describe the rumors about the attempted coup as a means of exerting pressure on you to replace your advisers?

[Zhelev] No one is entitled to replace the president's team of advisers. Whoever deludes himself about this fact must be very naive. I select my advisers on the basis of their correct behavior, professional skills, loyalty, and honest approach to their work, and I would never allow anyone else, no matter how highly placed, to dictate the choice of my advisers to me. If one of my advisers should prove not to meet the strict criteria prevailing in my office, we are ready to part company with him. There was one such case, as a matter of fact.

[Gocheva] What would happen if the Constitutional Court were to confirm a certain National Assembly deputy's claim that you are not authorized to sign bilateral state treaties? Are we supposed to dissolve our treaties with France, Czechoslovakia, and others, in such a case?

[Zhelev] It would also apply to our treaties with Greece, Italy, Russia, Turkey, and so forth. That is just impossible. The parliament member's appeal on this matter is simply ridiculous and naive because there is absolutely no legal basis for it. According to the relevant texts of the Constitution, I am entitled to sign bilateral treaties with other states, just as the prime minister and the minister of foreign affairs are authorized to sign treaties. Naturally, other Cabinet members are also entitled to do so—at a lower level, of course. The Constitution expressly states that the president of the Republic is

authorized to play that role, but it should be stipulated by law. The same applies to the prime minister's rights in that respect.

[Gocheva] Nevertheless, parliament has not adopted such a law.

[Zhelev] It has not done so, indeed. However, we cannot dissolve any of the international treaties we have signed so far. We joined the Vienna Convention. It expressly stipulates that the head of state should initial such documents. We cannot permit ourselves to adopt legislation that is in contradiction with international law.

[Gocheva] Ukrainian President Leonid Kravchuk is expected to arrive in our country today. Will you sign a treaty?

[Zhelev] On the basis of the aforementioned arguments, we should keep Kravchuk here and wait for parliament to pass the law, in order to proceed to our work.

[Gocheva] Joking aside, what is the purpose of his visit?

[Zhelev] We are expected to sign a bilateral treaty on cooperation in all spheres between the Republic of Bulgaria and the Republic of Ukraine.

[Gocheva] Did you have an official meeting with the vice president, who complained that you are not consulting her and then threatened to resign?

[Zhelev] Yes, we met and we talked. The meeting was not official. The vice president has only one function, according to the Constitution—namely, to assist the president in his functions and to carry out tasks assigned by the president. As far as I am concerned, I have entrusted Mrs. Dimitrova with tasks related to the cultural and social spheres.

[Gocheva] You were invited to pay a three-day visit to SDS headquarters, at 134 Rakovski Street. Will you be there to watch the videocassettes of the SDS National Conference?

[Zhelev] No. After we received the letter from 134 Rakovski Street, we dispatched our own message, asking them to send the cassettes to our office with one of their own men. He was to attend the showing in order to reassure them that the videotapes would not be copied and would not fall into other people's hands.

[Gocheva] Have you started negotiations with the SDS?

[Zhelev] No, we have not.

[Gocheva] What are you supposed to talk about with Ivan Kurtev, who was appointed to head a contact group to negotiate with you?

[Zhelev] I have no idea. It is not a question of negotiating, but of talks on clarifying our positions. In my opinion, we should examine whether our mutual accusations are justified and to what extent; we should analyze the arguments supporting our opposite stands.

We are presumably going to discuss methods of procedure. They are related to matters that were already submitted to public debate and that will inevitably be the topic of our discussions. I expect our talks to be very frank.

[Gocheva] Tomorrow Mr. Ludzhev is supposed to submit his program on a new economic policy to the session of the SDS Parliamentary Group. Are you familiar with his program?

[Zhelev] I am not. I know that Mr. Ludzhev has formed some sort of Center For a New Policy. However, I am not acquainted with the specific matter and with the people involved in it.

[Gocheva] Is a new economic policy required today?

[Zhelev] You see, it is my conviction that the country rather needs some corrections to the current policy, which would be much wiser and more reasonable, considering that the changes should be carried out more smoothly. A totally new economic policy is likely to halt the reform because it could interrupt continuity and, hence, involve complications. Life experience shows where corrections are required.

[Gocheva] Would you expect a new SDS government in October?

[Zhelev] It is difficult for me to answer your question. Things could develop in different ways. A forecast would be risky and more like guesswork than a well-founded prognosis.

[Gocheva] Mr. Ventseslav Dimitrov declared last week on television that it is your objective to set up a caretaker government composed of Dimitur Ludzhev and Asen Michkovski, which the SDS would not accept.

[Zhelev] Those are allegations anyone can invent and put into circulation. I have never committed myself to any specific government or specific persons to be included in it. The composition of the Cabinet is a matter concerning the SDS and the Movement for Rights and Freedoms [DPS]. If they agree, they can form a government and appoint Cabinet members. According to the Constitution, I am not entitled to interfere in forming the government, or in its composition, except when the worst comes to the worst—namely, in the case where there is no parliamentary group capable of forming a government and a caretaker cabinet would be the only solution. In that case, I would be authorized and even obliged to appoint a caretaker government and to set the date for new parliamentary elections. I have no other prerogatives, and, hence, I am trying to act within the framework of my prerogatives. Any attempt to influence the work and composition of the Cabinet involves risk and lacks any constitutional basis.

[Gocheva] Does it mean that you are not aiming to have a caretaker government?

[Zhelev] I do not wish to have such a government because it would involve an early election. The last election slowed down the reform, delaying it by nearly nine months. I am convinced that the SDS still has some potential. The SDS could reform the government by replacing some members, or form a totally new cabinet. That is a matter that concerns the SDS Parliamentary Group.

[Gocheva] Mr. Zhelev, in your last statements for Radio Free Europe, you pointed out that the Bulgarian Socialist Party [BSP] has changed.

[Zhelev] It would be unreasonable to deny the evident changes the BSP has actually undergone. As far as concerns the question to what extent the party has changed and whether it has managed to break with its past, with its totalitarian legacy, and with its *nomenklatura*, which draws it back into the past, as well as with all the elements that characterize it as the heir of a totalitarian communist party—that is a different matter. It is a difficult and controversial process that can be successful only if the changes are thoroughly implemented.

[Gocheva] Nevertheless, last week the BSP leaders, such as Mrs. Ananieva and Mr. Videnov, unequivocally insinuated that the BSP is ready to resume its role in ruling the country. How would you comment on that?

[Zhelev] Look, the SDS won the last election, and, according to the rules of parliamentary democracy, it is entitled to govern the country.

[Gocheva] Mr. Zhelev, the teachers' strike is beginning today. Do you consider the demands of this part of the Bulgarian intelligentsia to be justified?

[Zhelev] I think those problems should be resolved on the basis of negotiations and serious talks between the government and the trade unions.

[Gocheva] Last week, the church conflict erupted with renewed strength. You received Patriarch Maksim and promised him that you would raise the issue with the government....

[Zhelev] You are not asking the question in a precise manner. It was Patriarch Maksim who came to me in connection with the incident at the Sofia Metropolitan's headquarters, and, naturally, I assumed the commitment of calling on the prime minister and the minister of internal affairs. I was not able to reach Mr. Dimitrov so I summoned Minister Sokolov, who was just attending a meeting of the Council of Ministers, and urged him to adopt the most energetic measures. It was necessary to settle that outrageous situation that was likely to provoke unrest and further incidents. Considering the growing tensions, the scandal at the Metropolitan's headquarters could have triggered an outburst of real violence, which we have managed to avoid so far, thank God. I am

convinced that parliament should commit itself on this question. It should definitely resolve it in the spirit of the Constitution.

[Gocheva] How?

[Zhelev] The state should not interfere with church matters, and all institutions that try to interfere should be prevented from doing so. The church should be granted the opportunity of holding a normal council, according to its statutes and canonical laws.

[Gocheva] Do you mean that the Directorate of Religious Faiths should be eliminated?

[Zhelev] Yes, indeed.

[Gocheva] Aleksandur Yordanov is preparing to check on your expenditures. Does the president's office need financial auditing?

[Zhelev] I would be very pleased to invite anyone who wishes to check on our expenditures to do so. I am ready to submit all of the necessary documents related to the matter because the president's office can certainly not be accused of wasting money. We are even working with a limited staff, which is far below the number approved by the Parliamentary Budget Commission. I think the presidential team has seven or eight employees less than the number envisaged by the payroll. Other institutions could follow our example and learn how to save money and still work for the benefit of the state.

Deputy Prime Minister on Minority Issue

AU0810141592 Sofia DEMOKRATSIYA in Bulgarian
5 Oct 92 p 4

[Interview with Nicolae Oleinic, deputy prime minister of Moldova, by an unidentified DEMOKRATSIYA reporter; place and date not given: "Our Government Guarantees With Deeds, Not With Words"]

[Text] [DEMOKRATSIYA] Mr. Oleinic, the Bulgarians who live in Moldova and Ukraine view gaining some administrative autonomy through the establishment of a Bulgarian national okrug as one of their most important problems. What is the official position of the Moldovan Government on this matter?

[Oleinic] Our position was expressed during President Snegur's visit to Sofia. During the meeting with your president, Dr. Zhelev, he pointed out that Moldova will guarantee the 89,000 Bulgarians who live in Moldova their ethnic characteristics and the development of the culture, language, and customs. During the visit of Vice President Blaga Dimitrova, you noted that those were not empty words, but specific decisions and legal acts of the government and parliament, which are being put into effect through practical deeds. Indeed, today everyone can see that Bulgarian schools, kindergartens, a college, and a lyceum exist in Taraclia.

Naturally, we cannot claim that we have done everything possible, but the process of reviving the Bulgarian culture and language has already begun, and the government fully supports it.

[DEMOKRATSIYA] President Snegur already issued a decree on developing the Bulgarian ethnic characteristics. However, do you think that this document and the Bulgarian-Moldovan Treaty that was signed will be enough to guarantee not only the cultural autonomy of the Bulgarian population, but also its safety as an ethnic group, if changes take place in the future?

[Oleinic] We think that this legal act, which supports the process of reviving the Bulgarian ethnic characteristics, is enough for the time being. The same applies to the

treaty. The Moldovan Government is firmly determined to adhere to those documents, at the same time rendering comprehensive material aid.

As far as the future is concerned, I think history alone can judge what form is more effective. However, personally I am convinced that, if now we honestly support the comprehensive development of the Bulgarian population from the cultural and economic points of view, an area in which profound traditions have been established, there will be no need to fence off this population vis-a-vis the other citizens, by creating a Bulgarian autonomous administrative structure.

Furthermore, let us note the realities and accept them as they exist today.

Antall's Nuremberg Comments on Dam Dispute Cited

93CH0028B Bratislava UJ SZO in Hungarian
28 Sep 92 p 3

[Unattributed report including excerpt from speech given by Hungarian Prime Minister Jozsef Antall in Nuremberg on 25 September 1992: "Meciar Accuses the Hungarian Prime Minister of Aggressive Nationalism; New Slovak-Hungarian Tension; Antall Only Stated Known Budapest Position"]

[Text] The festive opening of the Rhine-Main-Danube canal in Nuremberg on Friday stirred up a new political storm, and created tension in Hungarian-Slovak relations. Both prime ministers, Vladimir Meciar (Slovak) and Jozsef Antall (Hungarian), participated in this event, together with other leaders of the 15 countries joined by this waterway. In his speech, Jozsef Antall again brought up the problem of Bos [Gabcikovo], at which the Slovak party took great offense. Milan Knazko, minister of international relations, told a reporter of the Czechoslovak Press Agency on Friday that the Hungarian prime minister's speech was uninformed, and that "he had no right to hold such a speech, because the countries on the Danube entrusted him with opening remarks to the forum because the headquarters of the Danube Committee are in Budapest." In order to see clearly, in the following we will quote the portions of the Antall speech which deal with Bos, and we will present the accusations addressed to the Hungarian prime minister in Vladimir Meciar's radio interview on Saturday. But before all this, we must point out that according to government spokesman Balazs Laszlo, the Antall speech did not contain anything new; the Hungarian prime minister has said all of this several times of late, among other occasions at the Hungarian-Slovak summit in Budapest and at the subsequent press conference.

Jozsef Antall said the following: "I am certain that I give voice to our intention as a common will: We wish to provide an optimal waterway as stipulated in international agreements which takes both ecological and economic consideration into account. In order to do this, we must realistically assess our strengths and implement all of this in a way and at a pace which allows us not to injure our natural resources with makeshift solutions, and to guarantee, as far as possible, conditions for shipping, coordinated among the separate reaches, along the entire length of the Danube.

"It would not be fair if we tried to hide that there is serious tension between Hungary and Czechoslovakia, or rather Slovakia in the process of becoming a sovereign state, about the reaches of the Danube which they share. Although we unequivocally strive for good neighborly relations, I must mention the problems of international law, ecology, and shipping related to the construction of the dam on the Danube. We are very sorry that the Federal Government of Czechoslovakia and the Slovak Government have not yet found a way toward a shared

position. Hungary declared the treaty of 1977 in this point null and void. In spite of this, Slovakia continued and still continues construction. They chose a technological solution for putting the power plant on the Danube in operation which changes the navigable course of the Danube—applying a solution that is not part of the treaty—and diverts the course of the Danube, which was unequivocally stipulated in the 1921 and 1947 peace treaties as a border river, onto the territory of Slovakia. On our part, we regard this as a violation of the border, a breach of international agreements, and a new source of conflicts that will certainly aggravate the problems of our region, which is already filled with tensions. We initiated preparatory negotiations with the Czechoslovak Federal Government and the Slovak Government because of the annulment of the 1977 treaty and the changing of the border in order to prepare a common appeal to the International Court in The Hague.

"The other question pertaining to the power plant on the Danube is the forceful alteration of the natural environment. We have asked the Czechoslovak Government to start an exploratory dialogue on the disputed questions and on the inclusion of experts from the European Community.

"In the third place, one must also mention that the new situation creates new conditions for shipping. The examination of these and the discovery of a solution that is the most suitable from a legal, technological, and economic point of view is for our mutual benefit. The position of the Republic of Hungary on all these issues was summarized by the decisions of the Hungarian parliament.

"I want to stress that we did not speak out against hydroelectric power plants in general. But here we are faced with a plan that is dangerous from an ecological point of view, which disregards elements of guarantee and secondary projects, which is not lucrative economically, which infringes on political decisions, which we inherited from the communist governments, and which were foisted on us in the absence of our sovereignty."

"At the opening of the Rhine-Main-Danube canal on Friday, Jozsef Antall, Hungarian prime minister, used very unfortunate language. He was supposed to say words of congratulations in the name of all the countries on the Danube.... But Mr. Antall did not speak for all the countries, but only for himself and for Hungary. He attacked Slovakia and the Czech and Slovak Federation because of their position on the Bos-Nagymaros system of dams. He altered the facts, and my impression was that he has perhaps never read the contract"—Vladimir Meciar, Slovak prime minister, told the program "Radiozurnal extra."

According to Meciar, Jozsef Antall emphasized the danger of deteriorating relations in this question, and called for international cooperation. "In view of the place and object of negotiations, bringing up the problem

was not timely; rather, it signaled the tension in Slovak-Hungarian relations, and at the same time it exhibited certain signs of the politics of aggressive nationalism, which we rejected and will continue to reject in the future," declared V. Meciar.

He stated that it was in the interests of the Slovak Government to establish good relations with its neighbors. He expressed his disappointment because at their latest meeting, the Hungarian prime minister assured him of completely different things, and he broke his promises at the first public opportunity. This proves that the Hungarian party is not a reliable partner, does not fulfill its contractual obligations, and does not keep its word. "For them, a word of promise is no more than the breath they exhale," said V. Meciar.

Independent Czech State's Foreign Policy Outlined

93CH0024A Prague *LIDOVE NOVINY* in Czech
2 Oct 92 p 8

[Article by Jiri Valenta, director of the Institute of International Relations: "Foundations of the Czech State's Foreign Policy: Protection of National Interests"]

[Text] The CSFR is on the threshold of separation. Under such circumstances the basic task for Czech politicians is to define the national interests of the nascent Czech state, which will ensure its survival and will create the conditions for its consolidation, stabilization, and prosperity in the face of the main geopolitical dangers connected with the separation.

It must be assumed that the separation will be geopolitically and economically disadvantageous for both the new states in regard to their neighbors, at least in the short term. Therefore the nascent Czech state will have to concentrate on implementing a realistic policy, similar to that of Austria or Sweden in geopolitical magnitude, but without the economic stability and securities guaranteed by many decades. The prestige of the CSFR will be damaged (though only for a short time). It is clear that any supranational-Messianic or unsuitable policy would be absurd—it would be even less in keeping with the status and possibilities of the new state than it was in the times of the "old CSFR."

Germany, the Sore Point

Long-term reconciliation with Germany is of vital interest to Bohemia and Moravia. Above all, Bavaria will be the sore spot in the German issue for the Czech state. One cannot eliminate the possibility that the Bavarian CSU will continue to make its demands on the Federal Government in regard to support for the Sudeten Germans. Apart from that, it can use its strengthened position toward the Czech Republic to take independent actions outside the framework of the Bonn policies. That may be the other side of an otherwise very attractive regionalization policy.

Another priority will be relations with the East; this time they will not only be with Russia, but also with Ukraine. However, after the dissolution of the CSFR, Slovakia will be the nearest state to the east for the Czech Republic geographically. Therefore it is necessary to maintain close relations, especially in the economic and strategic spheres, and to overcome the bitterness of the separation. At the same time, we must expect new dangers. Slovakia will be a relatively weak Central European country for some time to come, so the Czechs will also have to make sure that no internal conflict, accompanied by instability with a short-term threat to energy resources, an influx of organized crime, drug trafficking, and widespread emigration will not come into being in the east, and consequently encourage an increase in rightist forces in Germany.

It will be in the interest of the Czech Republic for Slovakia to act as a democratic country even in instances of conflict. The inherent lesson of Yugoslavia is that the international community must identify the threat of armed conflict in time and strive to avert it together with the involved parties using economic, political, and, if necessary, moderate military means.

In the effort, the Czech state must evaluate its experiences in the CSCE and focus on its reforms as far as is appropriate, and simultaneously it must pursue other priorities: the development of relations with and ties to other powers that wish to actively influence development and to avert threatening conflicts through prevention. For instance, I have in mind not only active forces in the United States, France, Great Britain, and Germany, but also in Russia.

The Visegrad Four

The priorities of Czech foreign policy will include relations with other neighbors—Poland and Hungary. They will be important partners in the effort to preserve stability in the Central European region. The Visegrad Four, which were created from the original three, could serve as a forum for cooperation and the joint resolution of any conflicts (like, for example, Gabčíkovo or the status of the Hungarian minority in Slovakia). In that case, Poland and the Czech Republic could act as mediators if their partners so desired.

Another priority of the Czech state in foreign policy is joining Western political, economic, and military alliances, which, together with the creation of good relations with our closest neighbors, would provide the Czech Republic with the best conditions to develop the country. Integrating the Czech state into NATO or similar future systems is also one of the vital interests. NATO is the only significant stabilizing element when dealing with security issues in Europe. Despite the successful beginnings of the Franco-German integration, it has so far proved impossible to create a purposefully functioning military institution of defense such as the

Western European Union (WEU) without the support of North American partners, the United States and Canada.

For Czech politicians, linked with American politicians by common democratic ideals and similar national interests in the peaceful resolution of conflicts in the East and on the Balkan peninsula, the United States, whether led by Clinton or Bush, will continue to be the most important world power in the areas of security and economy. It is also of vital interest to us to preserve a strong United States as the basis of NATO and European security. With the breakup of Czechoslovakia and the fact that it will become weaker geopolitically, it will be even more important because NATO, led by the United States, will have to assume the guarantee for security in this region, especially in the Czech lands. Czech politicians must be prepared beforehand for the differing approaches of the two possible American governments—that of Clinton and that of Bush—and avoid the mistakes of the past, such as the insufficient coordination and qualified definition of foreign policy, negotiations held by several selected individuals—lobbyists in America. But, above all, it is necessary immediately to prepare for an active policy, which—despite the severe financial limitations of the embassy in Washington—would improve the image of the country, which is in the process of breaking up, across the political spectrum throughout America.

Attention to Taiwan and Others

Apart from the European continent and North America, the Czech Republic must distance itself more from antidemocratic radical regimes such as Cuba, Libya, North Korea, and Iraq. It is to be expected that the influence of the military-industrial complex, which is largely located in Slovakia, will be considerably weakened in the Czech Republic. The influence of the FMZO [Ministry of Foreign Trade] will also be weakened, and its remnants in the new Czech Republic ministry of economics and in foreign trade organizations will doubtless try to support their old customers.

If the Czech government really pursues the economically defined interests of the Czech state, and that is to be expected from advocates of the radical economic reform, it can be assumed that we will redirect our attention to economically prosperous, pro-Western Asiatic countries (Taiwan, Singapore, Hong Kong, South Korea, etc., in addition to Japan).

The existence of the Czech state's diplomatic missions will have to be subjected to critical review. Particular attention will have to be given to decisions about missions in Third World countries. It is scandalous that Czechoslovakia still has a diplomatic mission in Burma, but no representative in economically significant places like Taiwan or Hong Kong. In this area, Czech diplomacy will have to correct the shortcomings of the Czechoslovak policies of 1989-92 when, for instance, they were unsuccessful in establishing a trade and cultural mission

in Taiwan, which could, among other things, grant visas to Taiwanese businesses interested in investing in the Czech Republic.

Of course, just like the CSFR, the Czech state should not evacuate existing political and economic positions, and if it does, it should only be done after careful consideration. Some of the fears of possible negative consequences of the changes are probably exaggerated. Taiwan, which has the largest foreign currency reserves in the world, is a good example. After all, a carefully established Czech cultural and trade mission in Taiwan would not harm the traditionally good relations with the People's Republic of China if such actions were properly explained by the Czech state's economic interests and by the fact that they do not represent a change in the traditional policy of a single China.

Czechs Said Averse to Slovak Equal Status

93CH0055A Bratislava SLOBODNY PIATOK in Slovak
16 Oct 92 p 1

[Commentary by Stefan Sugar: "Squaring the Circle"]

[Text] "Do not delude yourself with any illusions that after the federation splits into independent republics, Klaus may promote any kind of closer contacts with Slovakia. If a parting of ways is in the cards, so be it! It will just save us all the stuff we used to send to Slovakia. The only thing left is to have a civilized divorce...." That ODS [Civic Democratic Party] strategy was revealed to me by a man in the driver's seat who had stopped to pick me up at a station where I was waiting for the bus. I had met him about two hours earlier in the woods of the Krusne Hory where he graciously showed me spots rich in mushrooms. He harbored no hard feelings against the Slovaks; rather, he was sympathetic toward them. He even went out of his way to give me a ride to the spa building.

One reason that compelled my anonymous benefactor to stop for me was that he wanted to explain to me in the most graphic and explicit terms a warning of the coalition politicians in Bohemia whose election program calls either for a "functional federation" or a split. How else can a Czech citizen understand it when he reads the sarcastic commentaries in the newspapers that Meciar wants power sharing and subjectivity before international law, but he also wants the Czechs to serve as the underwriters. Nuts to you! If the Slovaks want national emancipation, let them get emancipated, but at their own cost. There will be no union! If there is a divorce, then it must be final! (Doesn't it just remind you of Antonin Novotny's statement: If there is any federation, then it must be a total federation?)

Certain Czech politicians and journalists explain that hardnosed attitude toward further coexistence of the Slovaks and Czechs from the psychological viewpoint as an emotional reaction of the "jilted partner," a signal to which was allegedly given by the Czech dissident writer L. Vaculik who in an article addressed to the Slovaks

said: "If they want to go, let them go..." In my view, however, it is more a matter of the Czech politicians' innate aversion to any participation in the Czechoslovak Government on equal terms with the Slovak political representation. It would be naive to assume that in its constitutional concepts the Czech right wing would let itself be influenced by any emotions whatsoever. It is more likely that here we are dealing with completely rational and unconcealed pressures for Czech national interests which the Czech politicians have promoted thus far under the guise of a "functional federation." When they force them through, their Czech politics are not averse to taking sharp and sudden turns, which we can easily confirm by taking a look at history.

Since its national revival of the 19th century Czech society kept wondering how to survive as a nation in the buffer zone between Germany and Russia and how to withstand the danger of Germanization. Palacky's original concept of "Austro-Slavism," which saw Austria-Hungary as the Czech nation's salvation from Germanization, could not survive World War I. Thomas G. Masaryk saw another solution in the founding of a common state of the Czechs and Slovaks under the protection of France and Great Britain, where the internal counterbalance of a strong German minority would artificially create the Czechoslovak nation. However, that idea was buried by the Munich agreement; Benes was betrayed and so against every advice he went from London in 1943 to seek Stalin's protection against Germans. With Stalin's help he succeeded in resolving the German problem "once and for all" by deporting Germans to Germany. That strategy led to tragic consequences for Czechoslovakia because for several decades it was excluded from the processes of European integration. The Czech right wing wants belatedly to correct that error and intends to withdraw from the dangerous zone of Central Europe to the safe shelter of a unified Europe. Minister Zieleniec who has ready geographic arguments in support of that objective stresses: "A look at the map is enough to prove unambiguously that Bohemia is part of Europe." It is ironic that once Adolf Hitler also took a look at that same map and said something to the effect that a look at the map is enough to prove quite clearly that Bohemia and Moravia are part of the German realm.

With its constitutional system and mutual tolerance of the two nations Czechoslovakia did have an opportunity to prove to the world that it is a vanguard of democracy, tolerance, and stability in Central Europe. However, the aspirations of Slovaks for their own statehood, which they had proclaimed during the Slovak National Uprising, have no place in the Czech right wing's concept of foreign policy, and Vaclav Klaus decided that we would show the world an example how to divide a common state without using firearms to settle mutual accounts. The Czech right wing adopted principles upon which the new Europe is built, but it was not willing to accept them for the present federation. To quote a Czech politician, according to political agreements between the victorious parties, the light in the

Federal Assembly will be switched off on 1 January and after 74 years each of the two nations will go forth toward its future on its own path. Nevertheless, it seems that it may not be such a simple matter because it was enough to indicate that the Slovak Republic will use its right as an independent and sovereign state to conclude a new pact with the Germans, and immediately we could hear the irritated response of the coalition partners. Thus, they revealed that even if there are two foreign ministries, it will be a matter of our common interest to pursue coordinated foreign policy. And not just foreign policy!

It is obvious that the process of disintegration of the federation cannot be halted, but perhaps the first day of January will bring not only the end of our common state, but also the beginning of a new integration process based on the realization that we inevitably share common interests.

Aspects of Business Merger Legalities Examined

93CH0019B Prague EKONOM in Czech 18-24 Sep 92
pp 56-57

[Article by Vilem Barak: "Possible Forms of Business Mergers"]

[Text] *Under existing practices, there exists an effort to outline the mechanism of fusion in a very narrow manner applicable only to business mergers based on an agreement to purchase an enterprise according to provisions of Section 476 and subsequent sections of the Commercial Code, leading to the establishment of a new legal entity. With reservations expressed by part of the specialized public, another form of fusion is permitted with the assistance of a buyout of the majority share of the securities of a corporation. The article below is intended to contribute to the discussion on the forms and consequences of the unpermitted restricting of economic competition. Some of the listed examples can occur only on an exceptional basis and will not become objects of regular interest on the part of the office for economic competition.*

According to Section 8, Paragraph 1, of Law No. 63/1991 Sb [Collection of Laws] on protecting economic competition: "Agreements between entrepreneurs to merge their enterprises (hereinafter referred to as 'fusion') are subject to control by the office if they lead or can lead to limiting economic competition in the relevant market."

The agreement can be made orally or in writing, depending on the nature of things. In the majority of cases, fusion is intended to influence the conduct of the controlled entrepreneur by a method the controlling entrepreneur finds suitable, or is intended to achieve coordination of procedures engaged in by several independent economic entities in economic competition. The basic motivation is to achieve higher yields as a final consequence. What is meant here are current or future monetary or nonmonetary proceeds.

Section 8, Paragraph 2, of Law No. 63/1991 Sb on protecting economic competition states: "Even an agreement, as a result of which one entrepreneur acquires the legal or actual opportunity to exert control over the enterprise of another entrepreneur or its portion, is considered to be fusion."

The types of fusion that most frequently restrict economic competition are the following:

- Horizontal (involving mutually competing enterprises).
- Vertical (enterprises act as suppliers for each other).

An Entire Palette of Forms

Particularly in view of the definition of an enterprise and its commercial wealth, according to Sections 5 and 6 of the Commercial Code, which speak of an enterprise as a set of material, personal, or nonmaterial components of doing business, it is, therefore, possible to expand the characteristics of mutual control among businessmen to the following additional possible variations:

a) The sale and rental of very expensive hard-to-renew facilities (for example, single-purpose production lines) among competitors who are engaged in producing an irreplaceable product, which means concentrating production and the resulting strengthening of the market position of the acquiring entity equal to the acquisition of control over the entire enterprise.

b) The concentration of the ownership of invoice claims, facilitating the exercise of control over a firm that finds itself in the position of a debtor (based principally on Section 531 of the Civil Code and Section 497 and subsequent sections of the Commercial Code). The principle of buying out debt is utilized by factoring firms. The form of control may involve influencing the indebted entity by offerings of advantaged credit terms or by threatening to propose the filing of bankruptcy in accordance with Law No. 328/1991 Sb.

c) An agreement on managing an enterprise, concluded by the entrepreneur or by statutory organs means the takeover of decisive rights of the economic entity by the other contractual party, for example, a specialized firm. If such a firm, or its statutory representatives, participates in operating additional enterprises, it is appropriate to have that status verified by the office for economic competition. In view of the prohibition of competition which, according to the Commercial Code, applies only to statutory representatives of a legal entity engaged in the same kind of activity, vertical fusions are primarily at stake here.

Statutes may negate the prohibition of competition contained in the Commercial Code. Then, even competing firms have the opportunity to mutually augment their statutory organs (horizontal fusion).

d) Personal interconnections which are a modification of the management contract. A chain can be created if

participation in doing business in another corporation creates the right for members of the statutory organ of the first corporation to engage in activities as statutory organs or to be members of the statutory organ of the second corporation. This is a holding arrangement, which is frequently used today as a disinformation concept involved in the breakup of enterprises.

e) Acquisition of security shares in a corporation. Here, the problem of the percentage identification of the controlling packet of securities arises. It is not possible to proceed mechanically from the necessity to own a more-than-50-percent majority of the stock capital, but each individual case must be examined for the specific ratio of stock ownership by the largest stockholder and the other partners, that is to say, the realistic distribution of securities must be examined, as must the text of the statutes of the stock corporation. Control can be spoken of following the analysis of the relationship between the decisive group within the corporation and any possible competitors. We arrive at the principle of creating holding companies, where the mother firm does not govern the majority share (more than 50 percent), but where the controlling packet, in relationship to the other partners, suffices to provide actual control of the enterprise while minimizing the costs of purchasing securities.

In this connection, complications arise in conjunction with the text of adopted Law No. 214/1992 Sb on security exchanges, when there is no tie-in with Law No. 63/1991 Sb on protecting economic competition.

f) Control with the aid of statutes. The language of the Commercial Code regarding statutes of commercial corporations permits the anchoring of the rights of participants in controlling a corporation in a differentiated manner depending on the amount of their property share in the corporation.

g) The establishment of a joint enterprise is a classic form of a fusion agreement. A new legal entity comes into being as a result of the deposit of the entire amount or a part of the material property involved or of nonmaterial property of the founding firm into a joint venture. The participating entities have the opportunity of asserting control over the newly established firm and one can proceed according to the provisions of Law No. 63/1991 Sb which regulates fusions. In some cases, that can involve a cartel-type agreement dealt with in Section 3 of the above law (for example, an agreement between the founding entities to transfer all production to the joint venture enterprise and not to create competition through their own capacities).

The 30-Percent Limit

If we judge a chain of mutually interconnected enterprises, we must start with the realistic externally visible subordination of an independent legal entity and analyze the possibilities for the development of the danger that economic competition will be restricted, which is defined in Section 8, Paragraph 3, of Law No. 63/1991 Sb, which states: "The danger of restricting competition

as defined in Paragraph 1 is considered present if the share of participating enterprises exceeds 30 percent of the total sales volume in a relative market." These conditions will be fulfilled in cases where the chain includes an economic entity with a monopoly or dominant standing and also if the set of participating enterprises, whose mutual interconnection can be defined by the term fusion (in the sense of Section 8, Paragraph 2), together account for more than 30 percent of the share in sales in the relative market.

The minimum limit of 20 percent of the relative market determines the market strength of one or of several entities, which means an advantaged position with respect to competitors and possibly facilitates the active influencing (read as deformation) of market conditions to one's own benefit (for example, to fulfill the function of price leader in sudden price increases, to prevent the entry of competition into a hitherto controlled market, to shift responsibility for risks to a contractual partner, to force the establishment of sanctions in a contract or to protect against their establishment, to set disproportionate conditions in commercial agreements from the standpoint of counterbusiness, to insist on tying the conclusion of the contract to the acceptance of irrelevant products, to assert differing conditions with comparable market participants).

Maintaining Economic Competition

From the standpoint of economic competition, it is possible to state that as soon as a dominant position is established with respect to a relevant market, there is no more essential competition, that is to say, the customer does not have the opportunity to make an immediate choice of another supplier or a substitute product, or service in a way which would keep the immediate expenses connected with making this change from exceeding the gains resulting from making a substitution.

Theoretically, it is possible to claim that substitution always exists in a market that is not restricted in any way. That is why a relevant market is identified, composed of relevant production (product, service), in a relevant territory, at a relevant time (of the transaction), and at a relevant price. In a generally defined market, which lacks the above conditions, substitution signifies unrestricted expenditures or undefined time horizons in an effort to make use of substitution.

In case fusion has already taken place, the validity of agreements that have led to this status is conditional upon issuance of a decision to approve the agreement by the office for economic competition (Section 8, Paragraph 4, of Law No. 63/1991 Sb).

From the standpoint of the security of domestic as well as foreign investors, particularly with regard to the process of privatization, the possibility of subsequently determining that the legal action leading to taking over control or creating the opportunity for control over another economic entity (purchase—sale of securities, direct sale of the enterprise or parts of it) is invalid

should not be permitted and, together with prohibition of the fusion in question, could result in palpable sanctions amounting to 5 percent of the sales volume for the last completed fiscal year. An unapproved fusion means an invalid legal action, resulting in the parties being mutually obligated to return any investments they made on the basis of that invalid legal action. In the opposite case, there would be unjustified enrichment according to Section 451 and subsequent sections of the Civil Code. And a merger can be attacked for being invalid by anyone: the office, at its own initiative, according to Section 12, Paragraph 1, of Law No. 63/1991 Sb, or the competition, the press, etc.

There is no intention to create uncertainty and to cast doubt on the process of privatization and the influx of foreign capital. In my opinion, however, there is a major shakeup of the law if a valid law is not taken into account and a general awareness is created that laws apply according to the free will of the participating parties.

The above forms of merging enterprises, or their combinations, can define all cases of the possible threat of restricting economic competition resulting from mergers. Each case is highly unique if the fusion being considered by the office is to include agreements which could have the indications of a cartel agreement between merging enterprises; moreover, this can be a case of the mutual granting of licenses, trademarks, patents, know-how, trade or production secrets, and personnel ties involving management.

However, control and regulation of fusion does not mean self-serving intervention on the part of the state into the market, but does constitute, on the contrary, an important condition for maintaining economic competition and, thus, a free market.

Privatization Concept for Slovakia Published

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["Excerpts" from the Slovak Ministry for Administration and Privatization of National Property draft proposal on privatization, prepared by the HOSPODARSKE NOVINY editorial office: "Concept of Further Course of Privatization in Slovakia"]

[Text] *In our daily reports we already published the news that the Government of the Slovak Republic [SR] discussed the methods and other specific problems of privatization and approved the Concept of the Further Course of Privatization in Slovakia, which was worked out by the Slovak Republic Ministry for Administration and Privatization of National Property [MSPNM SR]. In view of the great interest in this matter in both republics, we extracted the essential part from the extensive text of the proposal.*

Basic Goals and Principles

The Concept of the Further Course of Privatization in the Slovak Republic is based on the SR Government

Program Declaration, which set forth the following principles and goals of the privatization process:

- privatization is one of the basic prerequisites of transforming the economy;
- continuing privatization with emphasis on conceptuality and transparency;
- transparency of the privatization process by giving priority to the competition principle;
- specifying participation by the state in strategic areas and its optimal administration;
- supporting the emergence of a domestic entrepreneurial class, support for, as well as sale to, proven management and employees;
- creating a competitive environment;
- creating preconditions for reviving the economy;
- intensification of the entry of foreign capital into the privatization process, its stimulation and purposeful orientation;
- making possible sale of property to domestic entities even at book value;
- facilitating privatization of property affected by restitution claims (without challenging or restricting the claims for restitution);
- application of the installment system in selling privatized property or shares in corporations with concomitant reduction of the (first) cash installment payment;
- selling stock on the basis of option contracts;
- reevaluation of the coupon privatization system.

Achieving the goals of the SR Government Program Declaration primarily means subordinating the selection of privatization methods and the approach to the valuation and conditions of sale of privatized property to the stated goals and needs of the SR economy during the transitional stage to a market economy. At the same time, it is necessary to consider the current state of the economy (recession) and the need to speed up its revitalization, and keep in mind the fact that there are insufficient domestic capital resources. That means, among other things, that there is need to actively acquire foreign capital and stimulate and appropriately direct its entry into the Slovak economy.

On the basis of the resolution of SR Government No. 443 of 13 August 1991, approval was given to placing 577 enterprises in the second round of privatization, with a value of about 200 billion Czechoslovak korunas [Kcs] given as a guide. Because the privatization process of the properties will significantly influence and its results will determine the future development of the Slovak economy, the strategic goals of the economy must be clear at the beginning of the process. From the

standpoint of privatization, they include mainly the participation of the state in individual sectors of the economy, orientation of the entry of foreign capital, need for restructuring in conjunction with economic development programs, etc.

To make the best use of the privatization process in transforming the SR economy requires very close linkage with the concept of privatization of the individual departments, which must be based on an analysis of the current state of the sectors (branches, divisions) of the economy, particularly as far as their functioning after privatization is concerned. Especially in the strategic sectors (i.e., the power industry), or in prospective sectors (i.e., tourism, spas), there is need for an approach that takes into consideration the entire sector when individual enterprises are being privatized. Appropriate sale of portions of strategic enterprises (i.e., power industry), can create part of the resources needed for restructuring in other sectors of the economy.

For those reasons, the departmental concepts must suggest organizations whose privatization projects must be reserved for approval by the SR Government. That approach is generally used in countries undergoing reform (Spain, Poland, Ireland). In the first round that approach was used only in the Czech Republic.

At the same time a basic distinction will have to be made between the so-called permanent participation of the SR National Assets Fund [FNM] because of strategic reasons, and the so-called temporary participation of FNM because of, for example, the realistic possibility of selling to foreign partners, future placement of stock on stock exchanges, etc.

Such pertinent direction and principles of privatization will be the result of an analysis and prediction of the state of economic sectors and will be made by the appropriate departments.

Each appropriate department will prepare a comprehensive and substantiated opinion about the functioning of the sector even after privatization, keeping in mind the needs for the development of the economy, region, strategic plans and requirements. Without the formulation of such a concept the privatization process cannot be responsibly realized. Without a prior discussion of such a departmental concept, MSPNM SR will not take over privatization projects from the founders. In that respect, it will be necessary to diverge from the present formal approach to the realization of the privatization process (simplifying privatization down to only a speeded up change of the owner), and shift emphasis to the economic side, especially in relation to the creation of prerequisites for a good functioning of a social-market economy.

A very important issue is the entry of foreign capital. Preliminary analyses of the privatization projects of the second round of privatization so far show a minimal entry of foreign capital into the privatization process. Acquisition of foreign capital is therefore one of the

basic tasks of the privatization process for all involved agencies of state administration.

Privatization Methods

In the privatization process, following up the current situation and results, a whole spectrum of privatization methods will continue to be used, including the non-standard (coupon) method of privatization. At the same time, the manner in which the privatization methods are applied will be intended to remove the shortcomings that appeared in the current process.

Standard Method

a) (Direct) sale to a previously determined owner—use of this noncompetitive privatization method will be minimized, the particular reason being to maintain the transparency of the privatization process. The method will be proposed only in exceptional and substantiated cases—for example, request of a restitution receiver to buy the remaining portion of the property, an advantageous offer from the buyer to purchase an entity on the brink of liquidation, the sale of small enterprises or their parts to employees or management in those cases where the organization of a public competition would be ineffective.

b) Public auction—this competitive form of privatization will be used particularly in those instances where the most important economic parameter of privatization will be the price, i.e., achievement of the maximum financial effect of the privatization. The advantage of the method is that it is relatively undemanding and quick. The disadvantage is that it is possible to use basically only one criterion—the price.

c) Public competition—based on the present experiences from the first round and especially on foreign experiences, this method, which guarantees transparency, allows participation of a broad circle of interested buyers and an active approach to privatization, offers the most advantages, and is the only one that makes it possible (through the conditions of the sale) to profile the structure of the economy and support selectively by a nonadministrative method the desirable tendencies of the transformation process. In order to maintain transparency of the privatization process, and especially in order to guarantee an active approach (i.e., acquisitive character), the organizing of the public competitions will be entrusted by FNM SR in cooperation with MSPNM SR, on the basis of selective proceedings, to consulting, investment, and auditing companies. In case foreign capital is needed, these will be mostly prestigious foreign companies, which in themselves are a guarantee of proper conduct and professionalism.

A part of organizing the public competition will be an evaluation of the public competition by a commissioned consulting firm in the form of a proposal. For more complicated competitions the evaluation of the competitions will also be entrusted to auditing firms (and its organization in such cases to investment companies).

Such a combination makes possible a certain independent control and expert presentation of opposing views. The results of the competitions will be decided by FNM in cooperation with MSPNM SR and the founder, or in special cases, the SR Government.

Given the new philosophy and new conditions, the use of the public competition method is basically the only possibility—while maintaining the continuity of the privatization process—of giving access to the new interested parties (investors) without unnecessary administrative proceedings, and increasing the acquisitive character of the process.

Giving preference to public competitions in conjunction with the advantages of a sale on installments (first installment 10-15 percent, payment in full in up to 10 years, interest below discount rate) for domestic entrepreneurial entities means creating conditions and support for incorporating management and employees into the privatization process. At the same time this form guarantees equitable conditions without unsubstantiated preferential treatment for all interested parties. In view of the fact that management has the best information about the condition, problems, and plans of a given enterprise, making possible its participation in the privatization (thus far some forms of the process have been more of an impediment to it) by means of the public competitions is the best way to support sale to management without giving it an across-the-board preferential treatment (which would mean discriminating against other entrepreneurial entities).

The standard methods will be used to privatize (sell off) the assets of a privatized entity (enterprise, its portion), or market share (stock, share in a corporation). This form will have to be combined with the possibility of option contracts for a gradual purchase of market shares (up to 100 percent, or majority). In this way the new "owner" will have a high stake even in a position of a minority owner (but from the standpoint of management, in a de facto majority position) in the corporation, and the lowering of the "capital" threshold will create conditions for promoting growth of the corporation.

Coupon Privatization

In view of the disproportion between the amount of the property slated for privatization and the amount of financial means (even if foreign capital is taken into consideration), the coupon privatization will be used as well. But in contrast to the first round, this method will not be dominant (in the sense that the entire process of privatization is subject to it), and it serves no purpose to determine in advance the volume of property destined for coupon privatization. The coupon privatization will be a residual, or supplementary, method, and therefore the time limit for it cannot be established today ahead of time.

Of the total volume of property designated, according to the approved privatization projects of the first round, for coupon privatization, properties ... in the amount of

Kcs15 billion were not offered, but they may be offered for coupon privatization in the second round.

Judged very critically and responsibly will be the proposals for giving a 97-percent share to the coupon privatization, and risks stemming from the concentration of ownership through investment privatization funds will be carefully considered. From that point of view, a combined method is the most advantageous, which means, a portion of the shares will be "sold" by the coupon method and a portion of the shares by the standard methods, making use of every opportunity to sell on installments, at advantageous prices, etc. A very important role could be played by management, which, by buying shares—in conjunction with options to buy more shares—could gain an important position in the corporation.

Unequivocally rejected will be efforts to privatize up to 97 percent by the coupon method those enterprises which are on the brink of liquidation, without prospects. In such cases—and if there is no interest in buying them—it is better to opt for liquidation. This principle will become decisive also by virtue of the fact that the law on bankruptcy and settlement goes into force on 1 October 1992.

On the basis of that law, a state enterprise, or its legal successor (as a result of privatization) can be placed in bankruptcy if it is in debt or unable to meet its commitments. If a state enterprise is placed in bankruptcy, according to this law the privatization process will be halted—i.e., it will be taken out of the privatization process. Such outcomes must be prevented, and enterprises under an immediate threat of bankruptcy removed from the privatization process.

Such a course of action—i.e., not privatizing enterprises facing a real threat of bankruptcy—is necessary even in order to guarantee the liquidity of FNM, which by law (Article 15 of law No. 92/1991) guarantees with its assets the fulfillment of commitments pertaining to the privatized property (made up to the day when the property was transferred to FNM) by its acquirer. That is, in case the acquirer is unable to meet his commitments, the creditor may demand the fulfillment of those commitment from FNM.

On the whole a minority share of coupon privatization will be given preference for individual corporations, while shares of "quality" enterprises will also be offered.

Specific Problems

The nonrepayable transfers of property or of stocks to communities or health insurance and pension funds can be called the specific methods of privatization. Because that form has a strongly social character, it must be given greater attention, especially in relation to health insurance and pension funds for which, although they do not exist today, it will obviously be necessary—applying the principles of a social-market economy—to reserve some assets for this purpose. But a general determination

cannot be made in advance of the exact amount of stock to be transferred to the health insurance and pension funds (as the 3 percent share was set aside for the restitution fund). For example, in the case of spas the method of privatization in the form of nonrepayable transfer of some stock to health insurance and pension funds appears to be appropriate.

That issue is very important and needs to be resolved in a close cooperation of all involved departments. As far as transfer of assets to communities, each case (request) will be judged individually, from the viewpoint of the social and developmental needs of the communities, not from the viewpoint of their entrepreneurial needs. Transfer of part of the stock (property) to communities may be supported in cases where the privatized enterprise has an ecologically adverse impact on the community.

A special, and often misunderstood, aspect of the privatization process are employee shares and "managerial shares." Principally, the distinction must be emphasized between the sale of shares which are owned by FNM (for example, to employees, management) and the issuing of employee shares by the corporation and their transfer to employees (that is to management as well) under advantageous conditions. Only privileged installment payment can be used (applicable to all interested buyers) in selling the shares (by the FNM). The issuance of employee shares (and their transfer to employees) cannot be understood as a form of privatization, but only as a way to give employees a stake in the management of the corporation. The decision to issue such shares is therefore a matter for the owners of the corporation (i.e., majority shareholders). If the majority owner is, or will be, FNM (in the long term), the issuing of employee shares can be arranged already within the framework of the privatization project, basing in principle on the substantiated position of the founder. To predicate this form for the sale of majority shares without a decision by the future owner is unjustified.

The legal regulations that are in force do not recognize the concept of "managerial shares." Giving management a stake in the running of the corporation, in its economic results, can also be realized by issuing and selling shares (for example, preferred stock) by the corporation under conditions determined by the owner (majority of stockholders). There is, for example, the possibility to embed in the managerial contract the obligation/possibility for the managers to purchase such shares with part of their salary. Preferential treatment (i.e., setting conditions) is a matter for the owner (not the management of the corporation) and cannot be embedded in advance either in the privatization project or in the articles of incorporation (without the consent of the future owner). These issues can be dealt with only after the establishment of the corporation and the clarification of the ownership structure of the stock. (In case of a continuing FNM majority share, the FNM makes the decisions, basing them on the substantiated position of the founder.) The question of stabilization and management incentives must also be understood in this light.

One of the principal questions of privatization (by and large not clarified to this day) is participation by the state, its form and extent. Here it needs to be emphasized that according to the present legislation we cannot talk about the participation of the state, only about the permanent participation of FNM, which is an independent legal entity. The state can take care of its interests only through an intermediary, through FNM. The question of a direct participation by the state can be successfully resolved by delegating the appropriate government agency to exercise the voting rights of a stockholder (i.e., the voting right is exercised not by FNM but by a government agency). At the same time, the stock continues to be the property of FNM.

The question of a permanent interest of FNM in individual privatized enterprises will be solved solely from the standpoint of strategic needs of the state and the economy and will be based on the possibility of using minority shares (by means of the articles of incorporation), and primarily on the use of the so-called golden shares (i.e., special shares carrying precisely specified rights) to attend to those strategic needs. In using the option of the "golden shares" a very careful approach will have to be used to determine the specific rights, so that these shares do not carry extensive rights (imparity between rights and ownership share), which could lead to a lack of interest in the rest of the stock. From this point of view, it will be necessary to re-evaluate the proposals for a permanent interest of FNM (and MSPNM SR will demand relevant substantiation) as well as the already existing permanent interest of FNM (re-evaluation will be made by the appropriate department).

The temporary interest of FNM in already established corporations (i.e., interest designated for sale or transfer to health and pension funds) will be subject to the principles and goals of privatization in the SR, and the "new" privatization regime. In case of need and at the suggestion of the department, FNM or MSPNM SR will initiate the appropriate changes in the approved privatization projects.

One of the serious economic problems of the privatization process is the question of the doubtful ownership status of enterprises destined for privatization. Not solving that problem means shifting it to the new owners and making their "starting" position worse.

Going by the experiences of the Czech Republic and the former GDR, MSPNM SR will draft and initiate changes of the relevant measures in a way that will make it possible to settle the question of doubtful ownership at the expense of the basic capital of the state enterprise (and not at the expense of the profit, which is the case today). The adoption of the appropriate measures is within the jurisdiction of the Federal Ministry of Finance. In the Czech Republic that option was used even in the first round. The advantages of such a course of action unequivocally outweigh the risks stemming, for

example, from the possibility of some speculations—they can be limited by deterrent measures and sufficient publicity.

The law of the Slovak National Council on the jurisdiction of the SR agencies in matters pertaining to the transfer of state property to other persons and on the National Assets Fund (Law No. 253/1991) defines the controlling function of the MSPNM SR only generally. ("The Ministry for Administration and Privatization of National Property of the Slovak Republic shall direct the activity of the Fund in discharging its function as founder of corporations or other companies according to privatization projects, and in conducting its other activities.").

In its directive function, MSPNM SR will use especially the following specific powers vis-a-vis FNM:

- halt the realization of a privatization project until a decision is made on a further course of action, or, until such time as the supplement to the privatization project is approved;
- name members of the commissions evaluating public competitions;
- share in making decisions about the organization and assignments to conduct public competitions and auctions;
- by its decision compel the Fund to vote in the general meetings on the manner and form of increasing the basic capital of the corporation or liquidating the corporation in which the Fund has ownership share;
- by its decision compel the Fund to sell ownership rights that were not the object of the approved privatization project and that the Fund gained as a stockholder, or as a partner;
- compel the fund to transfer the stockholder (partner) voting rights to government agencies or other persons.

A smoothly running and quick process of privatization is in some cases hampered by legal obstacles, connected with resolving restitution claims of ... rightful claimants. MSPNM SR in cooperation with MSNMP CR [CR Ministry for Administration of National Property] proposes to remove these obstacles by amending Law No. 92/1991.

Valuation of Privatized Property

The basic goal of the privatization concept must be to lower the "capital threshold" when privatizing individual entities and transfer the "savings" into investment and development of the entities. The determination of the price therefore must be based on the need and guarantee of investments and the guarantee of employment. Among other things, the setting of the price is also one of the important elements of stimulating the investment of foreign capital.

The methods now used—accounting and market valuation—must be considered, even according to experiences abroad, as unsatisfactory from the standpoint of the basic goals of privatization—support for the emergence of a domestic entrepreneurial class, revitalization of the economy, and creation of a market and competitive environment. If determining the price also means setting the conditions of the payment, then the present system (30 percent in cash, the balance in five years with interest equal to the discount rate) intensifies even more the negatives of the valuation methods now in use.

The determination of the price by any kind of method and by any entity in a noncompetitive environment is always subjective and always something of an estimate, and could be a potential source of a lack of transparency.

Setting the "price" according to book value is not open to subjective influences, it is easily ascertained (it is part of the project) and checked by MSPNM SR employees. Even if we accept the philosophy of using book value as the starting point, in the competitive methods of privatization we must accept the offers of the participants in the competitions as an objective setting of the market price. These offers will be based on, and documented by, an analysis of the financial-earnings situation. The reliability and substantiation of this analysis (linked to the entrepreneurial plan) thus become also one of the main criteria for selecting the victor of the competition.

As far as attaining the goals of the government's Program Declaration and making the privatization process economical are concerned, the amount of the price is not (barring some exceptions) a decisive criterion. A much more decisive criterion is the future—i.e., guaranteeing development (guaranteeing investments) and guaranteeing jobs. That system is being used for privatization in the former GDR, and, it must be said, with success. Setting the price—on the basis of the "character" and state of the privatized entity—is an individual matter and in justified instances a price lower than book value will be accepted. (For example, even in the Czech Republic enterprises were sold for 10-20 percent of their book value.) Market valuation will be used only in exceptional cases, especially as a point of departure for an expert valuation when foreign capital is being invested.

Conditions for the payment—so far, experiences from the first round and from the former GDR show that the possibility of installment sales must be substantially expanded. It appears there are substantive reasons for reducing a prompt first payment to 10-15 percent, in case of state property to 3 percent and to extend the due

date to 5-10 years, in case of state property to 15-20 years. We also must weigh the possibility of deferring the payment of installments in the first two or three years (this is being considered in the former GDR and Hungary), and make possible payment of installments in the initial years combined with tax relief. The interest rates will be as favorable as possible, below the discount rate. (Of course, this proposal for low interest rates applies to "credit" given by the FNM or SPF [CR National Privatization Fund], not to credits given by commercial banks.)

In the interest of broadening the privatization in the future by using the standard methods, such as excluding subjective influences on setting the price, the conditions for evaluating the property of enterprises in the process of the large privatization will be changed by the ruling of the SR Ministry of Finance No. 2/1ic auctions, as well as public competition will "determine" their own market price on the basis of offer and demand. In a public competition the asking price may even be lower than the book value, provided certain conditions are met (guarantee of investment/1991 in the wording of the ruling of the SR Ministry of Finance No. 1/11/1992).

The starting price of the enterprises or the property of the enterprises may be set at the level of the book value, because the competitive methods of privatization, public auctions, as well as public competition will "determine" their own market price on the basis of offer and demand. In a public competition the asking price may even be lower than the book value, provided certain conditions are met (guarantee of investments and employment).

The realization of the basic goals and principles of privatization in the area of valuation demands these modifications in price regulations.

1. Decree of the SR Ministry of Finance No. 465/1991 on prices of buildings, land, permanent vegetation, payment for the right to a personal use of land and payment for temporary use of land will be amended so that the determination of the price of a building slated for public auction will apply only to public auctions within the framework of the small privatization.

2. Ruling of the SR Ministry of Finance No. 2/16/1991 will be amended so that for the purpose of establishing the starting price for public auction within the framework of the large privatization the accounting valuation will be applied, and further, that for the purposes of public competition and direct sale (support for small and medium-size enterprises) the market valuation would be required only in substantiated instances, according to the resolution of MSPNM SR.

MDF National Board Statement on Csurka Article*92CH0963B Budapest UJ MAGYARORSZAG
in Hungarian 31 Aug 92 p 5*

[Statement by the Hungarian Democratic Forum National Board]

[Text] The National Board of the Hungarian Democratic Forum [MDF] has discussed Istvan Csurka's writing entitled "A Few Thoughts...."

It has high regard for the fact that a majority of the ideals and arguments raised essential issues of concern to the MDF that had been formed five years ago, and in general, to advocates of national and Christian values in Hungary and abroad, and intended to deepen their self-identity and to reinforce their will to act emotionally and morally.

Most of the findings contained in the writing can be well used in the development of the MDF's new program.

To dispel confusion caused by arbitrary interpretations relative to the writing, the board recommends that all interested persons familiarize themselves with the original text.

At the same time, based on certain statements contained in the writing, which are indeed debatable, the national board finds it necessary to once again declare its commitment to modern populist-national, Christian-democratic, and national-liberal endeavors, to parliamentary democracy, to constitutional statehood that must not be impaired, to the tolerance of being different, to a social market economy, and to being a center party.

The board further declares that it is convinced that intellectual trends, and trends based on one's philosophy continue to function productively in the MDF framework on behalf of the continuous renewal of the party's and the movement's practical political unity, and of raising the professional standard.

Finally, in joining the 27 August statement of the national presidium, the national board declares that it supports with unbroken confidence Jozsef Antall as the chairman of the MDF, and as the prime minister of the Hungarian Republic.

Cegled, 30 August 1992

The National Board of the Hungarian Democratic Forum

Ethnic Hungarian Press on Csurka Controversy**Vojvodina Paper's View***93CH0030A Novi Sad MAGYAR SZO in Hungarian
27 Sep 92 p 2*

[Editorial by Zoltan Csorba: "The Same in Green?"]

[Text] Budapest, 26 Sep—The situation here in Hungary increasingly resembles the beginning of the period when the "people happened" [as published] in Serbia. The sense of endangerment, the incitement to stick together as an exclusive, single nation that would make one believe that another nation should be blamed for all the trouble and every concern, the arousing of hatred, the practice of exclusion, and even the watchwords are dangerously similar. Whatever has taken place there under the red, blue, and white colors is increasingly evolving here in red, white, and green.

Serb national leaders (and later the Croats and the Muslims, but we could also include here the Romanian and Slovak national leaders) wanted, and continue to want, to direct their people on the national path, and to also point out the proper path to those who had been errants before. They unfortunately succeeded in most instances. They stigmatized sober-minded persons as traitors, and by controlling the media they poured out nationalist, hate-mongering political propaganda.

They expropriated the common homeland to serve the interests of the majority nation, and they talked as if no one else existed except the majority nation. Those of the most extreme persuasion had spread the word, and still continue to do so, claiming, for example, that we Hungarians (and the rest of the minorities) were only admitted to the ancient Vojvodina, and that they magnanimously tolerated our living with them....

"The Gypsies, Jews, and Romanians came here as guests, and we received them with love....," a speaker said last Saturday in Budapest.

"Hungary belongs to Hungarians," another speaker reminded us.

"We want a Hungary built on Hungarian faith in Hungary," an inscription proclaimed.

"We must recognize that we are in the majority in the Carpathian basin," a third man threateningly said.

Not too long ago Yugoslavia was the richest, most peaceful, most open, most democratic, and most pluralist state in Central-East Europe. That country had developed to become the leader in the region, while it had increasingly progressed toward becoming a market economy. But the West paid no attention and the Serb communist leader Milosevic put a sad end to this wonderful country. Representative Tom Lantos of Hungarian origin told the U.S. Congress.

Yes, we recall the kind of country Yugoslavia was not too long ago. And we also recall the way the poisonous forces broke free. The time when they began to say that Serbia belonged only to the Serbs....

The legislator of Hungarian origin mentioned the example set by Yugoslavia in order to issue a warning: National cleansing is once again the prevailing concept in the heart of Europe. In Yugoslavia, extremely diabolic, poisonous forces are breaking loose. And our

former country, too, should serve as a deterring example to prevent similar endeavors elsewhere, before it is too late. Lantos asked the U.S. House of Representatives to place this issue on the agenda based on the phenomena seen in Hungary. "Signs of reviving fascism and Nazism have emerged even in Hungarian leadership circles," he warned. He called the Csurka study a hate-mongering, antidemocratic, fascist manifesto, "one that should nauseate every democratic, thinking person."

Tom Lantos reminded the American representatives and the public of the existence of two kinds of Hungarian legacy. One is a noble, democratic tradition embodied by the spirit of Lajos Kossuth. "But there also exists in Hungary a disgusting, fascist legacy that peaked in the actions of the Arrow Cross rabble. This rabble surpassed Hitler's Nazi hords in terms of cruelty and brutality. Certain remnants of this rabble are still alive in Hungary, where the extreme right is experiencing its renaissance. The consequences will be the same unless we stop this trend," the representative warned. The poisonous mushrooms growing on Hungarian soil must be pulled out by their roots, according to Lantos. "We will publicize the new fascist crimes of the neo-fascist elements, because they poison our society, they poison Europe, and they poison the world," he concluded his remarks.

(Seventeen representatives spoke to this issue—the Hungarian extreme right and the situation that evolved as a result of the Csurka study—in the U.S. Congress, in addition to Lantos. Regarding all this, MDF [Hungarian Democratic Forum] Representative Istvan Balazs [as published: Balas], who was present as an observer, had the following to say to NEPSZABADSAG: "Mr. Lantos spoke only briefly about the Csurka study; he let the rest of the speakers address the details. These appeared to me as having more of a theatrical character, but I also regard the events that took place here as part of the election campaign.")

What has not happened in those days or since then in Serbia (they came closest to this on 9 March) has happened in Hungary: People of a different mind organized a peaceful mass counterdemonstration to respond to the unacceptable ideals that had gained ground. They warned about the possible outcome of national radicalism before it was too late.

We know where Serb, Croat, Muslim... radicalism or nationalism can lead. And we also know what kinds of reactions the spread of such ideals in Hungary evoke in neighboring countries, and in particular from nationalists there, who already acknowledged with satisfaction: Here you have it, we told you so, this is what the Hungarians want to do...

And in this situation Hungarians in the minority must increasingly consider where they commit their allegiances, what path they want to follow, and how they want to envision their future. The future is not too bright if nationalist dictatorships instead of democracies evolve in the countries of this region. For, as writer Gyorgy

Konrad said at Thursday's counterdemonstration, "if democracy exists, it is not going to be prohibited to be Hungarian anywhere, and if democracy does not exist, it is going to be difficult to be Hungarian in the neighboring countries. It would be in the interest of Hungarians to have democracy prevail throughout the Carpathian basin."

View From Bucharest

93CH0030B Bucharest ROMANIAI MAGYAR SZO
in Hungarian 25 Sep 92 p 2

[Unattributed report: "Debate in the U.S. House of Representatives; One Must Not Keep Silent"]

[Text] Radio Kossuth's early morning newscast on Thursday reported that two MDF [Hungarian Democratic Forum] parliamentary representatives had arrived in Washington to personally attend the U.S. House of Representatives debate over the most recent Hungarian domestic policy developments. The radio's Washington reporter had this to say about the debate:

The series of system changes in Europe have given room not only to democratic forces, but also to nauseating neo-fascists who let their voices be heard with increasing frequency. Tom Lantos stressed at an hour and 45 minute special order of the House of Representatives, which dealt with extreme right-wing phenomena seen on the continent, and within that, with Istvan Csurka's since infamous writing. Representative Lantos stressed that a majority of Hungarian citizens and politicians are committed to democracy. But, as he said, the signs of Nazism and fascism can also be seen in high circles. He mentioned that he was aware of the way many people perceive that these kinds of things are the internal affairs of given countries. But he denied the validity of such thoughts by saying that Hitler's and Mussolini's movements had also been regarded earlier as internal affairs, even though there were times when international action could have helped resolve the situation.

Based on this idea 13 American representatives spoke out against nationalist and anti-Semitic views contained in the Csurka study. One of these representatives yielded 30 minutes of his time, which was allocated for a different topic, because he sensed the importance of warning people not to remain silent when the extreme right-wing threats appear. One representative noted that the United States was aware of the difficulties facing the Antall government, but added that in times of hardship one must not allow Istvan Csurka and his associates to find culprits, to mention a Jewish conspiracy, and to take advantage of the hard times by misleading embittered people with ease.

In conclusion the reporter added that the session was held late in the evening Washington local time, and that the speakers were the only ones present, as customary in most such instances. At the same time, however, the event was broadcast by one of the national television

networks, and the transcript of remarks was given to every politician in Congress.

Slovak Paper's View

93CH0030C Bratislava UJ SZO in Hungarian 2 Sep 92
p 3

[Article by Jozsef Debreczeni, parliamentary representative of the Hungarian Democratic Forum: "Csurka Could Suffer Torgyan's Fate"]

[Text] *This newspaper has already dealt with the storm whipped up by the Csurka study, one that has been criticized not only by a decisive majority of the speakers at Monday's session of the Hungarian parliament: Prime Minister Jozsef Antall has also distanced himself from certain statements contained in the study. The author of the following statement, which was prepared for this newspaper, was among the first to point out the dangers of Csurka's ideals.*

In a pamphlet published in the 20 August issue of MAGYAR FORUM, Istvan Csurka, one of the MDF's [Hungarian Democratic Party] vice chairmen, proclaimed a program of right-wing national radicalism. "Nothing but the national interest is sacred," he wrote. The sole trustee of the national interest is a party that is becoming homogeneous and is purging itself of all disturbing ideals. This party must direct the overly independent government, a government that must abandon its indecisive politics that "hide behind democratic semblances and paragraphs." This exclusive national radicalism is associated with the presentation of the monster of the Hungarian and international Jewish-capitalist global conspiracy and with strong anticommunist overtones.

The Csurka pamphlet has inflamed the Hungarian public concerned with politics. Csurka has not attracted anyone to provide open support. Even his immediate followers regarded the pamphlet as badly timed, exaggerated, and a product of haste, while his opponents within the party, the liberals, most firmly condemned and rejected the writing, and outdid the critique leveled by the opposition.

The question is whether Csurka has a chance to incorporate all or part of his radical ideas as official MDF policy? He made the chief tactical mistake when he linked his program to a personal attack on Jozsef Antall. This created a huge wave of antipathy, since support for the head of government could be regarded as 100 percent within the MDF. Other obstacles also exist in the path of Csurka's ideals becoming the party's official ideology. The largest ruling party is a collective party that integrates many views, and it is a party in which, in addition to an absolute recognition of Antall, the acceptance of national and democratic values as equal and inseparable also represents a common denominator accepted by all. Anyone who places any one of these values above the other finds himself in conflict with the most important basic principle of the MDF. If, let us suppose, Csurka succeeds in acquiring the support of a relative majority in the party, those in the minority would, under no

circumstance, accept the resultant situation: This would result in the disintegration of the MDF and in the end of the parliamentary majority. Accordingly, in the unlikely event that a situation materializes in which Csurka's program becomes the party's program, it could by no means be raised to the level of becoming a government policy.

Csurka is going to become isolated if he continues to maintain his intentions. He will go on without influencing government policies; moreover, his influence exerted thus far upon the party and the public is going to quickly fade. In the end he will suffer the fate of the other extremist, the failed Smallholders Party chairman Jozsef Torgyan, who by now has been excluded from public life: He is going to become a politically dead body.

Newly Formed Political Organizations Discussed

93CH0015C Budapest HETI VILAGGAZDASAG
in Hungarian 19 Sep 92 pp 93-94

[Article by Endre Babus: "New Political Organizations; Party Leader Ambush"]

[Text] *One still has to wait for the disintegration of today's party structure in parliament as predicted by many; nevertheless, new political formations are unfurling their banners, and under the leadership of parliamentary representatives well known to the public. What are the starting prospects of Pozsgay's National Democratic Alliance, which is about to reorganize itself as a party this coming weekend, and to what social organizations do increasingly forgotten former political "aces" pin their hopes in light of their recently declining popularity? This article seeks answers to these questions.*

Members of nine parties instead of the original seven, albeit within the same six factions, are expected to be seated in the National Assembly beginning next week. After Zoltan Kiraly's Social Democratic People's Party (SZNP) established on 5 September, Imre Pozsgay's newest "people's front," the National Democratic Alliance (NDSZ) movement intends to transubstantiate itself into a political party this coming Saturday. And the 10th formation could also enter the House soon through the back door: The Republic Party headed by Janos Palotas promises to unfurl its banner.

Without exception, the three independent representatives—all of whom rank high in popularity polls—hope to be able to call to life centrist parties enjoying broad popular support. In theory, every opportunity to accomplish this is given: Today's political parties were able to attract as members only 2-3 percent of people entitled to vote (while in the days of the one-party system 10-12 percent of the adult population belonged to the state party). As indicated by this data, too, significant groups in society were left without political representation, the self-appointed party leaders claim. But the assumption that these politicians left the parties to which they

belonged most recently just to enable them as independent representatives to prepare for the 1994 elections by developing a new following seems at least equally true.

In establishing the NDSZ in May 1991 Imre Pozsgay started out with the presumption that in a manner similar to the turnaround in Greece and Spain, the first term of the parliamentary democracy would partly destroy the initial political parties in Hungary, too, and that there would be a need for new, authentic political forces. To a certain extent, this assumption undoubtedly proved to be well founded. Not counting the Smallholders who excluded each other, 15 members of parliament left their parties since May 1991, 10 of whom joined the independent representatives, and only Kata Beke wanted to join the National Democratic trend. As much as one could sense the establishment of a seventh faction under the leadership of Imre Pozsgay in the middle of 1991, the former leader of the People's Front has thus far been unable to attract at least nine politicians who sympathized with him. To this date, the NDSZ was capable to produce meager results only, even outside of parliament. The present membership of 2,500 people indicates that the Alliance remained a rather stunted movement, and this could also raise doubts about the future of an organization becoming a party. On top, the NDSZ had to face certain symptoms of disintegration during its brief history. One of the memorable moments of disintegration occurred when Imre Olah, the head of the entrepreneur's section of the Alliance (who mustered altogether 92,000 votes in the 1990 parliamentary elections as vice chairman of the Entrepreneurs Party) turned away from the NDSZ last April with a laconic remark: "Doing nothing makes me tired."

In recent months it has become increasingly apparent that the leading figure of the reform forces in the former state party (along with Miklos Nemeth), the most popular politician in the summer of 1989, could not find his place in parliamentary political public life based on a multiparty system. Imre Pozsgay's silence in the legislature for the past year and a half, just as in the final years of the Kadar system (HETI VILAGGAZDASAG, 4 February 1989), is becoming increasingly conspicuous, except for the fact that his conduct during the Kadar years could also be perceived as an internal exile.

Pozsgay's silence is incomprehensible for two reasons: first, because as a result of his silence the NDSZ program remained unknown to the public (assuming, of course, that a strategy exists at all—the Alliance has not produced a program to this date), and second, because as a result of his silence Pozsgay has been able to provide only limited representation for his Bacs-Kiskun County constituency, even though he had made a special promise to this effect at the time he had left the MSZP [Hungarian Socialist Party]. But instead of descending to the political arena, the former state minister prefers to make statements and deliver speeches at rallies, and in the course of these he talks about the everyday of parliamentary democracy with unveiled estrangement:

Competing ideologies remind him of "irrelevant matters," parliamentary debates of "noisy behavior," and faction leaders of the "cracking of the whip."

After all this it would come at least as a surprise if the NDSZ resurrected after declaring itself a political party, and if it became a considerable future political force within or outside of parliament. One cannot at all rule out the possibility that if so demanded by political considerations, the Alliance would suffer the same undignified fate as the Movement for a Democratic Hungary (DMM) established in the middle of 1989, which Pozsgay dispatched on short notice to the political dump immediately after the idea of an elected president of the republic was scrapped.

In a manner similar to the NDSZ, the future of the recently established Social Democratic People's Party also appears highly uncertain at the moment. In addition to the social democratic internal war now in its fourth year, the meandering political career (MSZMP [Hungarian Socialist Workers Party] membership, DMM executive, Social Democratic Party candidate for president of the republic, MDF [Hungarian Democratic Forum] faction member) raises doubts whether Zoltan Kiraly is going to be able to mold the Social Democratic Party into a strong left-of-center force. In any event, one can already tell that the joining of masses announced last spring when Kiraly unfurled his banner has not materialized, and that instead of the predicted 5,000 members by summer, the party had only 2,000 members in September. It is not inconceivable, of course, that in theory, support by the miners, steelworkers and other left-wing trade unions could deliver a significant number of votes to the MSZP as well as to another left-wing party, especially if the socialists become "decimated" in conjunction with the law on agents or the case of the rolling dollars; this, however, would certainly require a party program and a credible group of people capable of developing such a problem, and the SZNP does not have either of these.

The Republic Party of Janos Palotas, the most popular independent representative, amounts to no more than a good-sounding promise today. Indications are that the president of the National Association of Entrepreneurs about to resign his post intends to present competition primarily to his former party, the MDF, when he states that he wants to establish a right-of-center grouping similar to the Christian Democrats of Germany. Having passed the halfway point in the election cycle, other representatives, too, perform an increasingly feverish search to find out how they could strengthen their own positions. Istvan Fodor, once the acting president of the National Assembly, tries to increase his political weight as president of the National Consumer Protection Association using the watchword: "Consumer protection involves 10 billion citizens"; while the extreme right-wing Janos Denes cultivates increasingly close ties with organizations demanding that radical justice be done.

Revival of Law To Prosecute Communists Considered
 93CH0015B Budapest HETI VILAGGAZDASAG
 in Hungarian 19 Sep 92 pp 91-92

[Article by Gabor Juhasz: "Lex Zetenyi: Another Round? Doing Supplemental Justice"]

[Text] How could "justice be done" under criminal law after declaring Lex Zetenyi unconstitutional? This is the primary question that must be answered in the form of expert opinions to be expressed by three legal scholars the government had asked for by the end of September. Many believe that the solution floated by Imre Konya last week—that only courts could declare that the statute of limitations had expired and only upon concluding a trial—was technically correct under the law. Nevertheless, its political consequences could not be predicted.

"Comrade Virag pulls out a bundle of files from his huge, black briefcase.

"We expect you to make a very nice admission."

"Pelikan opens the file and looks at it. Confused, he scratches his ear.

"Pardon me, Comrade Virag... this is the verdict."

"Virag angrily waves his hand. He quickly grabs the verdict from Pelikan's hands and presents him with his admission."

The idea of some members of the Hungarian Democratic Forum (MDF) who intend to do justice conjures up the adventures of Jozsef Pelikan in "The Witness": The House of Representatives should be presented a legislative proposal that would authorize criminal proceedings in Hungary in which the verdict would already be known at the beginning of the trial.

MDF faction leader Imre Konya confirmed last week to university students what everyone had guessed: The Zetenyi law was still alive. The lawyer-politician also gave a hint of the kind of legal technique they wish to use to present to criminal court those who could not be hauled to court today because of statute of limitations rules. They would amend the law on criminal procedure to the effect that only a court could declare that the statute of limitations had expired—i.e., as compared to the present situation, the police or the prosecutors could not judge whether the statute of limitations had expired—and even then, only after the establishment of a defendant's guilt. In simple terms this would mean that even with respect to criminal acts in regard to which the statute of limitations had obviously expired one would have to conduct—"to perform the act of," in less tactful terms—full criminal proceedings, and to make official findings in the "final acts" of proceedings about something everyone had known in advance, that the defendant could leave, he could not be punished, because the statute of limitations had expired.

It is not at all certain, however, that the government is going to present to parliament a legislative proposal of this kind. Minister of Justice Istvan Balsai immediately denied that the Antall cabinet was ready to present some kind of a legislative proposal. The minister who, in the days of the Zetenyi-Takacs proposal drafted by representatives, had risked his reputation as a lawyer by backing the proposal, has been conspicuously cautious about Administration proposals of this kind since the Constitutional Court had declared the already adopted Zetenyi law unconstitutional on 3 March 1992 (HETI VILAGGAZDASAG, 7 March 1992). Thus it comes as no surprise that three law professors hired by the Justice Ministry have been working for months charting paths left open by the Constitutional Court decision in criminal and criminal procedural law, if such paths exist at all.

The scholars are not supposed to consider anything but the Constitutional Court decision, according to Pecs law professor Jozsef Foldvari (the other two experts asked to opine are Imre Bekesi and Tibor Kiraly, both from Budapest). The official function of these experts is not to draft one or more legislative proposals, but to individually formulate opinions by the end of September. Based on the agreement at least, their functions would end with the presentation of opinions. Quite visibly, Istvan Balsai would like to take out "double insurance": He must not come forward with a vaguely worded or shaky legislative proposal—i.e., one that is unconstitutional—(another blunder would certainly shake the velvet chair); and if the trio of law professors fails to find a constitutional way out of the situation—thus potentially enabling the government to relinquish its efforts to submit such a legislative proposal to parliament—the expert opinions could provide some protection to the minister of justice against supporters of Zetenyi, because the three professors are also regarded as experts in their fields by those who support the Zetenyi law.

A procedure for "doing justice" has also been offered by the Constitutional Court in March, although without requiring any kind of Lex Zetenyi. The justices of the Constitutional Court had indicated in their arguments that conceivably, in certain cases the passage of time alone did not cause the statute of limitations to lapse, e.g., if the statute of limitations had tolled (and the tolling period is to be deducted from the running of the statute of limitations), or if the running of the statute of limitations had been interrupted (in which case the running of the statute of limitations is to be restarted). (For example, the suspension of a criminal proceeding makes the statute of limitations toll, and its running is resumed after the authorities make substantive advances in unveiling a crime.) Accordingly, reasons for tolling and for restarting the running of the statute of limitations must be found which "could have been used in the course of judging criminal acts committed between 21 December 1944 and 2 May 1990, based on law in force at the time the crime was committed."

The justices of the Constitutional Court also mentioned directives issued by the interior minister and by the supreme prosecutor which, in the cases of certain leaders, had previously linked the initiation of criminal proceedings to an advance concurrence by an appropriate organ of the MSZMP [Hungarian Socialist Workers Party] (HETI VILAGGAZDASAG, 21 March 1992). The Constitutional Court argued that "those who apply this law must judge in each individual proceeding the impact of decisions based on such directives upon the expiration of the statute of limitations in a given case." Due to the 20-year running period of the statute of limitations, this solution has little practical significance: The culpability of crimes committed in the 1950's, for example, could only have survived if there was proof that during the past decades, Hungarian authorities charged with the persecution of crime had taken action "to advance the proceedings," to use the Constitutional Court's words. On top, by taking this path, it becomes impossible to sue persons whose criminal act can be proven to have lapsed in the framework of the statute of limitations, therefore it is understandable that ruling party supporters of the idea of doing justice are taking a different path. (The most "readily available" legal solution would be to amend the constitutions—and to thus void the Constitutional Court decision—so that it conforms with the ruling coalition's perception of doing justice; this, however, could be ruled out under the present conditions of power that prevail in parliament: The affirmative vote of a two-thirds majority would be required to approve such amendments.)

Signs indicate that ruling party jurists believe that they have found a solution that could be deduced directly from the Constitutional Court decision announced in March. "Only a court could render a final determination relative to a case and applicable to everyone, whether the culpability of a given criminal act has lapsed," the minister or a representative submitting the new proposal to parliament could say, adding that this idea was not invented by the ruling parties, but was literally contained in the arguments supportive of the Constitutional Court decision handed down in March. Accordingly, at first glance it seems that Lex Zetenyi II. could fulfill the desire of the cloaked body, because according to criminal procedures now in force a criminal proceeding comes to an end—even at the investigative stage—if it turns out that the statute of limitations has lapsed; i.e., in most instances the applicability of the statute of limitations is not determined by courts.

From the standpoint of the supporters of the Zetenyi law it is not important, of course, to have a court render a decision concerning the applicability of the statute of limitations, all they want to see are law suits. Under today's procedural rules, if a judge finds out after the indictment of a person that the statute of limitations had expired, the court issues a ruling to discontinue the proceedings without holding a hearing and without deciding a person's guilt or innocence. After the possible enactment of changes in law, defendants in a suit could

even be forced to present themselves to the judges, and if the court so stated, the convicts could subsequently be regarded by anyone as guilty of having committed a crime. This would provide great advantages in the eyes of those wanting to "do justice," as compared to, let's say, the outcome of investigations initiated by parliamentary committees.

This is true, except for the fact that exactly this method also conceals the traps mentioned by Imre Konya: Regardless of how practical this solution may seem from a technical point of view, in reality it amounts to playing with fire. In enforcing an "abridged expectation under criminal law" the administration of justice system would also be forced to perform a theatrical show. For example, everyone would be aware that a defendant would leave the court as a free man even if it was proven that he had killed a person. (The state's expectation under criminal law would be abridged in such cases because the state would have surrendered in advance the possibility to punish a defendant, and because the state would be satisfied with a determination that a crime had been committed.) Both prosecutors and defense attorneys, as well as judges and defendants would have to play a role before the greater public, one that was forced upon them by the legislature. To what extent would a situation like this deteriorate respect for the administration of justice? Would a defendant admit to having committed a crime in such a trial? Would witnesses tell the truth? Would not justice be taken in their own hands by some as a reaction to such trials, if persons identified as criminals would leave through the main entrance, just like spectators, instead of in a Black Maria?

These questions should cause sleepless nights primarily to the minister of justice and not to the legal specialists, of course. Frigyes Kahler, the head of the Criminal Division at the Ministry of Justice, wrote in an article not too long ago that "regarding cases in which the statute of limitations has expired, a constitutional state cannot respond otherwise at this time, than with an expectation from criminal law limited by prohibitions related to arbitrary enforcement." This, of course, does not mean by far that Istvan Balsai is going to choose this solution. It raises concern, however, that if, after reviewing the professional opinions, the government abandons its own legislative proposal, Zsolt Zetenyi is going to submit his own proposal anyway, a proposal that is essentially the same as the idea sketched by Imre Konya, as Zetenyi said last week. In that case, aware of the voting habits of coalition representatives, much is going to depend on whether the minister of justice supports Zsolt Zetenyi.

MNB Vice President on Deficit, Inflation

93CH0059E Budapest TOZSDE KURIR in Hungarian
10 Sep 92 pp 1, 4

[Article including interview with Hungarian National Bank Vice President Frigyes Harshegyi by Aniko Csanady in Budapest on 3 September: "Spiral Down and Up: Frigyes Harshegyi on the Budget Deficit and Inflation"]

[Text] After opening the Budapest office of the Deutsch-Ungarische Bank (on 3 September), Hungarian National Bank [MNB] Vice President Dr. Frigyes Harshegyi held a briefing concerning the further development of the inter-bank foreign exchange market that can be achieved as a result of decentralization, and about the external payment situation that has evolved based on the results of the past eight months.

Based on the official data of the first six months of the year, the country's foreign exchange situation is as follows: The current balance of payments shows a \$657 million surplus, while the capital balance indicates a \$641 million surplus; accordingly, our position has improved by \$1.3 billion. This foreign exchange surplus has evolved in part due to the fact that the amount of interest paid on the total amount of indebtedness (\$596 million during the first six months) has significantly decreased as compared to the amount of interest paid last year, and thus the country's net indebtedness was also decreased. (The net indebtedness amounted to \$13.3 billion, while the gross amount of indebtedness was \$22.8 billion.) The MNB held \$5.2 billion in foreign exchange reserves.

The improved foreign exchange situation can clearly be attributed to foreign trade. Exports increased by 20 percent, while imports grew by 3.4 percent. The ability of the Hungarian economy to produce a larger amount of foreign exchange surplus enables the payment of installments due on existing loans. Accordingly, there is no need to borrow funds in order to pay the debt service. (During the first six months we made loan payments amounting to approximately \$1.3 billion; more or less the same amount as the country's surplus foreign exchange revenues.) Harshegyi believes that the \$5.2-billion foreign exchange reserve can be maintained without being forced to take out further loans, and restrictions on the convertibility of the forint may be lifted if the current balance of payments remains stable.

Based on a stable external payment situation the economy's credit worthiness may be guaranteed without obtaining official support (i.e., without new IMF loans), based on private market transactions, and this creates a favorable situation for a government that is counting on a large budget deficit.

Individual savings were also discussed in conjunction with the deficit. In this regard the surplus (36 billion forints in July) abundantly offsets the budget deficit, according to Harshegyi. Accordingly, individual savings must be maintained at a level that guarantees the internal balance and the decline of inflation.

[Csanady] Mr. Vice President, according to the well-known theory recently referred to by Peter Akos Bod, the state's need to borrow funds could prevent entrepreneurs from using funds accumulated as individual savings. This is particularly true at a time when high-interest-paying state securities maintain high interest rates. Thus the large and growing budget deficit could

simultaneously prevent the reduction of the inflation rate (through the maintenance of the high cost of money) and growth (due to the depressed state of investments by entrepreneurs). What is your view in this regard?

[Harshegyi] The large budget deficit hinders the decline of inflation and retards the growth of investments by entrepreneurs. We underscored the significance of these two effects at the Central Bank Council meeting. Unfortunately, the causes are not being revealed properly, or, if they are, it is not possible to take appropriate action, such as raising taxes. I recognize a threat in the growing inflationary spiral. I do not regard a 200-billion-forint deficit this year as a problem, because savings amounting to, let's say, 300 billion forints easily cover such a deficit. Especially if we manage this amount properly, i.e., if we float medium-term state bonds, at last.

It should be apparent that this volume of money is incapable of lowering interest rates in the market; to the contrary: It pushes interest rates upward. Due to the expectations, rising interest rates do not favor the chances of lowering the inflation rate. A 200-billion-forint deficit immediately turns into 240 billion forints (if we consider a 20-percent interest rate), but next year the 20-percent interest must be calculated on 440 billion forints, and so on. This is how the spiral works. This alone is extremely dangerous from the standpoint of any state household. But one way or another, Italy, for example, has managed a problem like this for 10 years, and Greece continues to do so even today.

I am concerned, however, that the state household and the economy are simply going to be unable to tolerate this inflationary spiral. It is difficult to invest money for five or 10 years along with a 25-30 percent interest rate on loans. The prognosis, according to which onetime effects have a greater impact in an inflationary period than one would be led to believe at the outset, is well known; I have in mind, for instance, the sudden increase in prices due to the downscaling of subsidies. Thus, we must indeed lower the interest rates below the 20-percent level, with little tolerance to the 17-19 percent level, and this is a truly manageable interest rate level. It would be very difficult to go below this level; the Central Bank Council also believes this to be true. This then means that along with the existing budget deficit—even if that deficit can be financed, and even if the deficit does not threaten the internal balance because of sufficient savings—interest rate levels will certainly not decline. This, on the other hand, holds back activities in the economy.

[Csanady] What can be done to remedy this situation?

[Harshegyi] We must cut expenses, and however painful this may be, we must also raise taxes somewhat. And as long as a sufficient volume of savings exist, we must use that to finance the deficit. Invoking the need for state household reform is easy. And how about the renewal of social security? We need at least five to ten years to have a sufficiently large social security fund that includes an

appropriate volume of interest-bearing assets to permit us to finance the necessary added burden involved in social security from sources other than ever increasing amounts of contribution deducted from wages.

Trade Unions Agree on Property Sharing, Elections

Government Criticized

93CH0022A Budapest 168 ORA in Hungarian
22 Sep 92 pp 8-9

[Interview with MSZOSZ President Sandor Nagy, Democratic League of Independent Trade Unions President Gabor Horn, Workers Council President Imre Palkovics, and Minister of Labor Affairs Gyula Kiss by Erno Kardos; place and date not given: "Interest Groups Sliced Into Pieces? Trade Union Exchange of Minds; The Government's Tightening and Loosening of the Brakes"]

[Text] *The war among trade unions has been going on for too long; the true representation of interests appears to be becoming a secondary issue amid all the mud-wrestling. The unexpected turn of events in the standing war was that six trade union groups had agreed on how to divide the property, and on how to conduct elections based on those interest groups. Thus a real frontline had been drawn between the trade unions and the government; after all, the cabinet has already agreed to a proposed trade union election law claiming that it would present the same to the parliament that week. What do Sandor Nagy, the president of MSZOSZ [National Federation of Hungarian Trade Unions], Gabor Horn, the president of the League, Imre Palkovics, the president of the Workers' Councils, and Minister of Labor Affairs Gyula Kiss think of all this? Erno Kardos conversed with them.*

[Kardos] According to certain rumors, Sandor Nagy, the president of MSZOSZ and Gabor Horn, the president of the League have not even been on talking terms before. But now that the government has put the pressure on trade unions by producing a trade union election law, the two of you not only talk to each other, but immediately reached agreement.

[Horn] Three factors prompted or forced the trade unions to reach agreements regarding at least certain issues: the possibility of a shift to the extreme right, an increasingly difficult economic and social situation, and the government's trade union policies.

Protecting the Chance To Protect Interests

[Kardos] Previously Sandor Nagy had said that the government was strongly opposed to trade unions, and that the law submitted to the parliament would discontinue the protection of interests in Hungary.

[Nagy] I had in mind rules like those governing elections, etc., whose impact on trade union property would be detrimental.

[Kardos] Isn't it true that you have now agreed on how to divide the property, and that therefore you wish to render the elections unnecessary? The fact that there are only six of you now who would like to share that property, and not 1,200 organizations?

[Nagy] No, because we did not reject the idea of holding elections. Only a smaller part of the property would be divided based on the agreement. The future of the larger part would be decided at real elections, at the election of plant councils. And that would take place two years hence.

[Kardos] Could it be that you would distribute the property and the new trade unions would not receive any?

[Nagy] The agreement itself rules out that possibility.

[Kardos] Why then did you delay forwarding to the parliament a copy of the agreement addressed to the labor affairs minister?

[Nagy] The negotiations have been going on since February. Since then the trade unions—individually, as well as jointly—have made a number of proposals and have expressed many views. I, personally, do not mind if the government regards as a success that the proposed law has resolved certain conflicts between the trade unions.

[Horn] Had the legislative proposal dealt with the issues it should have dealt with, we could have held elections in early December to resolve the issue without further discussion. But that did not happen. Instead the government turned against one of the fundamental institutions of peace in society in a provocative, and antiunion manner....

Fig Leaf at Workplaces

[Kardos] What manifestations, actions serve as the basis for that statement?

[Horn] The total cost of the elections would have burdened the trade unions for six years. That would have blocked all opportunity to make any kind of progress. Elections would have been held based on territories, not on workplaces, even if some relationship with workplaces had been established to serve as a fig leaf. But that system is not workable. That way they would have decided over only a small part of the property. That, however, was unacceptable to all trade unions, because it would not have satisfied any one of them from the standpoint of the necessary operating conditions.

[Kardos] Could the agreement mean that you might take joint stands with respect to relaxing social tensions or increasing minimum wages?

[Nagy] An opportunity for joint action is possible as a result of a just barely established confidence flowing from the agreement.

[Horn] I believe that the unfortunate, increasingly bad situation brings these issues to the forefront to an extent that it drives us in the direction of reaching such agreements.

[Kardos] The opposition parties believe that the legislative proposal presented to parliament is unconstitutional. If I understand the situation correctly, having signed the agreement, the Workers Councils regard the need to amend the legislative proposal as important. You have asked the prime minister to have your case heard. If I understand it correctly, some kind of an agreement was reached, but despite such agreement, the government did not pull back the legislative proposal.

[Palkovics] I asked the prime minister to hear me, not in my capacity as the president of the National Association of Workers Councils, but as a member of the MDF [Hungarian Democratic Forum] parliamentary group. It was my intent indeed to obtain the greatest possible support from the parliament and the government for the agreement signed by the six confederations.

[Kardos] Nevertheless the legislative proposal is still pending before the parliament awaiting debate, and they could go so far as to adopt it....

[Palkovics] According to the prime minister the legislative proposal was not pulled back because the government was mandated by law to submit a legislative proposal for elections this year, including deadlines agreed upon by the trade unions. That is logical, come to think of it. The contents of the legislative proposal are yet another issue. One could argue about that, nevertheless the government was obligated to submit the legislative proposal.

[Kardos] As the leader of the workers councils you raised the possibility of leaving the MDF and, as a result, to also quit the faction. What kind of pressure did that represent on either the faction or the government?

[Palkovics] My future relationship with the MDF was not discussed in the context that the government might fail to appreciate the request of the trade unions in the parliament. I had this to say to a NEPSZABADSAG reporter: If the government repeatedly rejects every normal effort exerted by employees and by the MDF's working group on protecting interests—and if one of the "filters" in the rejection process is the political state secretary at the Ministry of Labor Affairs—I will be forced to consider what to do under these unmanageable political conditions. In response to my statement the journalist asked the following question: "Could that take the form of your leaving the group?" I said "no" to that question. But that is not an issue at present. The prime minister assured me that he would go far in considering the needs and issues presented by the trade unions.

[Kardos] Just as the rest of the trade union leaders, you too have openly severed your relations with the Ministry of Labor Affairs state secretary. Many claim that they do not wish to sit down and negotiate with the state secretary because he, Mr. Schamschula, does not advance, but

hold back the agreement (and I am very sorry that Mr. Schamschula is unable to make a statement at this time).

[Palkovics] Yes, it seems that Mr. Schamschula is not very happy with this agreement. I repeat what I have said several times in public before: I do not regard him as the best suited person for that position. On a number of occasions, when outlines of an agreement emerged, Mr. Schamschula pretended not to have understood the agreement, whereas, in my view, he very well understood the issues involved. But whenever it seems that a consensus could be reached by the organizations, he is virtually desperate to destroy the situations that bring us close to an agreement.

[Kardos] Is it not the truth that in reality the government does not want to reach an agreement with the trade unions? I cannot believe that the lack of one person's intent to concur could prevent an agreement....

[Palkovics] The government has declared that there was a need for trade unions. And it also forcefully expressed an intent to cooperate with the trade unions.

Views and Fears

[Kardos] The government submitted to the parliament a legislative proposal concerning trade union elections despite the fact that the trade union federations have reached an agreement, and despite the fact that various parties have also sat down to negotiate with the trade unions. Mr. Minister, had you or had the government received the text of the agreement on time, would it have been possible to at least discuss the agreement? I am aware that you rejected even the idea of negotiating....

[Kiss] In supporting the idea of submitting the government proposal and the request for urgent debate, I also declared firmly that the government was prepared to begin open negotiations. I did so because once an agreement exists—and it does exist now, because I was informed that the various trade unions have processed the agreement through their respective organizations—an agreement like this is final, it is a fact that can be considered from a legal standpoint. Moreover, it presents a new situation, therefore we must sit down and negotiate. Just how serious I am about this matter can be seen from the fact that I did not ask that the legislative proposal be placed on next week's parliamentary agenda. I did so to permit us to sit down with the trade unions for some substantive discussions before the legislative proposal is dealt with in parliament, before general debate over the legislative proposal begins.

[Kardos] In theory it would be conceivable—and the trade unions indeed raise that possibility—that the government wants to see as many trade unions as possible, that it wants to see a maximum fragmentation of interest groups. That way no uniform stand could be taken vis-a-vis large enterprises, most of which are still owned by the state.

[Kiss] These views lack foundations. The present problems of the trade union movement must not be traced to the government. My personal view in that regard is that if anything threatens the trade unions today, such threat comes from certain impacts created by the various parties.

[Kardos] Is it at all conceivable for all of you to accept the agreement reached by the various trade union federations?

[Kiss] I do not want to speculate; we are sitting down to negotiate in order to discuss the matter.

[Kardos] Statements have been made both in the Interest Mediation Council and in the Workers Councils to the effect that they did not wish to negotiate with State Secretary Schamschula. Who is going to head the delegation of the Ministry of Labor Affairs?

[Kiss] I am convinced that the state secretary is not the only one at fault for having damaged the negotiations to that extent. Insofar as the upcoming discussions are concerned, I, as the head of the delegation, am going to negotiate.

Property Agreement Terms

93CH0022B Budapest HETI VILAGGAZDASAG
in Hungarian 19 Sep 92 p 91

[Unattributed report: "Sharing"]

[Text] The former SZOT [National Council of Trade Unions] property valued at 4.2 billion forints—as agreed upon by the trade unions—includes the following: Headquarters buildings on Dozsa Gyorgy Street as well as in 15 counties, the educational facilities in Balatonfured and Salgotarjan, the former trade union educational center on Tarogato Street in Budapest, the headquarters building at the Varosliget Alle, the Benczur Hotel, two buildings, one at Bajza Street and another on Romai Shore, a resort at Boglarielle, the Nepszava Publisher and the newspaper itself, as well as condominium apartments with a total value of 19 million forints and other real property with a total value of 209 million forints. The six trade union federations established four categories from the standpoint of ownership. The National Association of Hungarian Trade Unions [MSZOSZ] comprises the first group, the League and the Workers Councils belong to the second group, the Trade Union Cooperation Forum [SZEF], the White Collar Trade Union Grouping [ESZT] and the autonomous trade unions make up the third group, and Solidarity as well as trade unions not joining the confederation constitute the fourth group.

The agreement assigns each piece of real property to one or another group (NEPSZAVA, the trade union daily newspaper, is the only exception; it would be published by a corporation jointly owned by the four groups). Sharing of property within each individual ownership group will be the subject of agreements between the members of each group. The parties to the agreement

intend to distribute assets belonging to branch trade unions—valued at twice or 2.5 times as much as the SZOT property—in two steps. Based on the results of plant council elections to take place this year, user rights to the property would be decided only, so that until the final distribution of the property—i.e., 1994, the next trade union election year, as recommended by the trade unions—the sale or encumbrance of such property would be subject to authorization.

Proposed Distribution of Former SZOT Property

	Ownership Group	Real Estate Value (millions of forints)
I.	MSZOSZ	1,803
II.	League, Workers Councils	1,356
III.	SZEF, ESZT, Autonomous unions	897
IV.	Solidarity, unions outside the confederation	144
Total:		4,200

Financing of 1996 World Exposition Discussed

92CH0998B Budapest FIGYELO in Hungarian
10 Sep 92 p 19

[Interviews with Laszlo Kristof and Etele Barath, the metropolitan and the former government commissioners of Expo, respectively, by reporter Janos Budai; date of first interview not given, held in the Metropolitan Expo Office; place and date of second interview not given: "A Wobbly Machine; How Will Expo Be Financed?"]

[Text] We interviewed Commissioner Laszlo Kristof in the Metropolitan Expo Office.

[Kristof] As a rule, cities that hold world expositions use their Expo to mark the end of their development plan or to complete it on time. Many cities have great ambitions for their own development and want to demonstrate also before the world what they are capable of accomplishing. That is how Brussels became the administrative center of the European Community, and subsequently got NATO to establish its headquarters there. And how Montreal overcame its lag in comparison with the development of English-speaking Canada.

[Budai] Is an Expo absolutely essential for the realization of such ambitions, if the money for it is available?

[Kristof] Because they did not hold an Expo or host the Olympics, for instance, we hear little or nothing about many cities that have successfully completed their development plans. Consequently, examples of realizing developmental ambitions even without an Expo do exist. However, holding a world exposition in Budapest would nevertheless be auspicious, because it would set a fixed date for the realization of a significant proportion of the

development projects that are essential anyhow, instead of deferring them into the distant future. It would certainly be a pulling and driving force. Moreover, it would demonstrate that in this unsettled region we are a secure European country where people dare to be entrepreneurial, where there is democracy, and where blacks and foreigners are not being beaten up on the streets.

[Budai] But it is becoming increasingly evident that the organization and management of this world exposition cannot be left to entrepreneurs. The state will have to reach deep into its pocket, but it itself is able to rummage only in the pocketbooks of its own citizens.

[Kristof] Perhaps the organization and management of Expo in the narrower sense—i.e., of the core inside the fence—could be financed with private capital. But the state will have to finance the surrounding infrastructure that provides services. Several solutions could come into consideration. For instance, about 18 hectares of land on the Buda and Pest sides of the Danube could be sold and the proceeds contributed as capital to the business venture. Or capital could be raised through an issue of government debt certificates.

With State Money

[Budai] How much money would the plan's realization require?

[Kristof] At 1990 prices, between 60 and 65 billion forints would be needed to realize the investment projects earmarked for the southern parts of Buda and Pest, respectively, in the detailed development plan. Moreover, also a significant proportion of the investment projects to improve the accommodation capacity and attraction of the capital and certain regions can be realized only with state financing.

[Budai] Is this not too high a price to pay just to prove that we are able to hold an Expo?

[Kristof] The world exposition alone will most probably show a net loss. But if it is combined with effective marketing and good public relations, and if we attract the (business) world's attention by presenting a positive image of ourselves, then holding the world exposition certainly offers advantages in the longer term.

[Budai] The exposition is being held by the government and not by Budapest. What role can the metropolis play in it?

[Kristof] That is indeed a departure from past practice, because up to now Expos have been sponsored by cities rather than by governments. But it cannot be solved without us, without metropolitan participation. After all, what happens here in the name of Expo eventually will affect primarily Budapest's residents. Here is where roads will have to be ripped up and bridges erected, public security improved, tourist accommodations built, and infrastructure developed. The solution of these tasks is in our interest as well. But on critical issues such as

financing, for instance, the government must finally make the decisions, and as soon as possible.

[Budai] The government has an Expo commissioner, and the metropolis has one as well. But the business venture for organizing and managing the exposition has not been formed as yet.

[Kristof] The government commissioner represents the country before international organizations and the participating countries' exhibitors. He is the embodiment of the government's guaranty. And the task of the enterprise that organizes and manages the exposition is practical implementation. In my opinion, the latter task is the more difficult.

[Budai] Would it not be more simple to hold the world exposition on the premises of the BNV [Budapest International Fair]?

[Kristof] Two or three years ago, I too would have voted for that plan. But today that could be only a fallback solution. For instance, if it should turn out that there is no buyer for the 18 hectares.

A New Fair Site?

[Budai] Some people are of the opinion that recovery of the invested capital through subsequent use could be improved by moving the site of the BNV here from Kobanya.

[Kristof] There actually was such a plan, and there are sound arguments in its favor. But we were not involved in the decision on subsequent use.

[Budai] Would an exposition in Japan disrupt ours?

[Kristof] I do not think it would in terms of visitors. But it would mean having to compete for exhibitors and participating countries, especially if the latter cannot afford to participate in two international expositions a year. If for no other reason, that is why we should act as soon as possible!

We were able to reach also Etele Barath, Expo's former government commissioner.

[Barath] I would like to begin by pointing out that the metropolitan mayor's statement regarding his experience of Seville and Genoa contains several misunderstandings. For one thing, because of their different roles, Expo requires both a government commissioner and a business association. The former, incidentally, is a requirement of the BIE [International Bureau of Expositions]. Indeed, each country participating in Expo must also appoint a government commissioner of its own. These commissioners will then cooperate with their Hungarian colleague. In addition, of course, there is also need for an Expo Corporation, typically a government-owned corporation up to now. But it is responsible only for matters inside the fence. Our corporation should

have been set up long ago. Another misunderstanding that has already caused considerable problems was the comparison of Seville and Genoa with the proposed Budapest exposition. Officially registered international expositions may be classified either as category A, like Seville, or as category B, like Brisbane. But Genoa is neither because it is merely a special exposition recognized by the BIE, as opposed to a registered one. Actually Genoa is merely an organized event on the same level as the BNV (but will be open much longer) and therefore cannot be compared with Budapest Expo in either importance or impact.

[Budai] Do you still think that Expo can be organized as a business venture?

[Barath] Earlier, in 1988-91, it was possible to speak responsibly of that. Our idea was that 51-percent Hungarian equity ownership (26 percent held by local government and 25 percent by the state) would have been sufficient guarantee for the BIE. Foreign and domestic private capital would have acquired the rest of the equity. A very precise financial plan is a prerequisite for such a solution. Despite the final decision, there is no financial plan as yet! But the funding that the BIE requires is also lacking, because the 17 billion forints cannot be used for that purpose. Today the venture could be launched only as a state-run Expo, and its 49-percent privatization would be a realistic possibility only after the financial plan's elaboration. But that requires immediate action, perhaps even by temporarily borrowing the 3.6-billion-forint reserve fund, which would be repaid later. We still have not quite a whole month to begin the plan's realization. The exposition's construction will remain possible only if the real estate can be sold.

[Budai] Would it not be more expedient to combine an international exposition on the scale of the BNV with building a new, modern fair site?

[Barath] Last year parliament considered also a B version. It called for the inclusion of also the northern part of Csepel Island in the exposition, and after 1996 the fair site could have been moved there from Kobanya. The Lagymenyos bridge was envisaged on a smaller scale as a normal downtown bridge, without any gigantomania. After all, this version would have pushed the continuation of Hungaria Boulevard further south, to Csepel

Island. Probably the fact that today only the area north of the bridge is included in the plans can be "credited" to certain interest groups.

Japan's Challenge

[Budai] In 1996 there is to be also a special international exposition in Japan. Will that be good from our point of view?

[Barath] Although that exposition cannot be already registered either, Japan's intentions must not be belittled. The themes they are proposing are practically the same as the ones the president of the BIE has suggested to Hungary for realization. If the Japanese succeed in getting their proposed themes approved, and if there is complete "cross-talk" in the area of communications, then they could draw away from us all or a significant proportion of the sponsors and investors, as well as the exhibiting big firms and some of the countries.

[Budai] Under these conditions we may find ourselves in a situation where it will seem more simple to abandon the plans for Expo.

[Barath] That must not be allowed to happen. Admittedly, the matter of Expo is moving along a fixed path, and the exposition can start only as a state investment. But it could be privatized 12 or 18 months later. Although I am no longer an optimist, I am still hoping.

We attempted to sound out also State Secretary Mrs. Barsi nee Etelka Pataky, the current government commissioner. But she was so busy that she could not spare time even for a 10-minute telephone interview. I must admit that this did not surprise me. In recent weeks not even Metropolitan Mayor Gabor Demszky has been able to reach her, in the matter of the south Buda metro line that is closely linked with Expo. Too bad that so much work does not appear to be producing any results for the time being. The squabbling over Metro among the various interest groups, their attempts to trip one another up, and the results of the "speed" with which the government is working seem to be proving the skeptics right. They are the ones unable to decide what would cause the greater loss of face: to abandon the plans for Expo, or to hold a catastrophically bad Expo at huge cost?

Overview of Enterprise Profitability

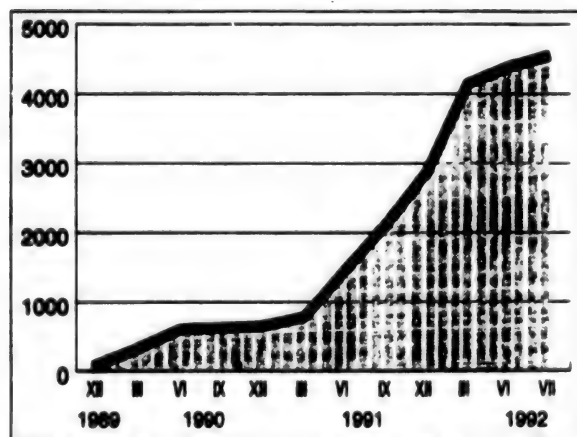
93EP0020A Warsaw RZECZPOSPOLITA (ECONOMY AND MARKET supplement) in Polish 29 Sep 92 p III

[Article by Antoni Kowalik: "Still Slipping Financially: Mutual Debts of Enterprises at 193 Trillion Zlotys"]

[Text] The economic performance of enterprises early in the second half of this year was close to that in June. Analysis by the Central Planning Office regarding the economic situation during the January-August 1992 period indicates that gross earnings in July were even better than in the preceding month. This was due to lower extraordinary losses, which dropped to 0.7 from 1.3 trillion zlotys [Z].

Earnings remained unchanged in July. After the first seven months of the year, as in the first half of the year, the indicator of earnings was 3.3 percent. Profitability improved somewhat to - Z8 from - Z9 per Z1,000 of overall income. However, compared with last year's performance, these figures are unfavorable. That is because after the first seven months of last year mean earnings were of the order of 6.4 percent, and at year end, 4.8 percent. As for profitability, after the first seven months of 1991 it had been - Z1 per Z1,000 of overall income, whereas at year end it plummeted to - Z13.

Number of Enterprises Lacking Creditworthy Status



A.W.

During the January-August 1992 period industrial enterprises attained a mean increase of 2.7 percent in earnings (compared with 7.3 percent last year). The highest increase in earnings, 14.4 percent, was recorded for the nonferrous metals industry, followed by 9.9 percent for the energy industry and 8.4 percent for the chemical industry, while the lowest earnings, - 9.7 percent, was recorded for enterprises of means of transportation, followed by 8.6 percent for textile industry, - 7.5 percent for coal industry, and - 7.4 percent for leather industry.

These industries also are characterized by a high capital intensiveness and high extraordinary losses.

In the other branches of the national economy the situation, as measured by the indicator of earning capacity, is better. The increase in mean earnings in construction was 6 percent, in utilities 9.3 percent, and in communications as much as 51.8 percent—twice as much as last year.

The percentage of enterprises operating at a loss declined somewhat from 46.1 percent after the first quarter of the year and 44.2 percent after the first half of the year to 43.1 percent [in July]. A year ago, however, the percentage of money-losing enterprises was much lower, 33.2 percent, and last December it was 37.7 percent.

Despite the smaller gross tax burden—altogether Z9.5 trillion—the net earnings were negative, amounting to - Z7.8 trillion. At manufacturing enterprises financial performance in July dropped by an additional Z1.6 trillion to a total of - Z13 trillion. The variations in the retained profits of enterprises are huge, ranging from Z2.5 trillion for the energy industry and Z1 trillion for the food industry to - Z4.7 trillion for the industry of means of transportation, - Z4.6 trillion for the coal industry, - Z2.6 trillion for the steel industry, and - Z1.8 trillion for the textile industry.

The obligations of enterprises continue to increase at a faster rate than their accounts receivable. Compared with a like period last year, obligations increased by 58.5 percent but accounts receivable by 29.5 percent. At the end of July the overall obligations totaled Z334.7 trillion, of which the mutual debts of enterprises alone Z193.1 trillion, and the obligations to the state budget, Z57.7 trillion.

The worst payments situation, as measured in terms of the balancing of obligations by accounts receivable, exists in the industry of means of transportation, where obligations are offset only 31.3 percent by accounts receivable, and in the textile industry, 53.6 percent, as well as in the coal industry, 59.4 percent.

A consequence of the deteriorating financial situation of enterprises is the growth in the number of the enterprises that have lost their creditworthiness, according to the banks. At the end of December 1991 they numbered 2,880; in March, 4,144; in June, 4,388; and at the end of July, as many as 4,450. Of this number 1,593 are manufacturing enterprises, 820 commercial, and 1,430 agricultural. Among the enterprises forfeiting their creditworthy status state firms account for 52 percent, with the remainder being private companies.

Some of these enterprises remain, despite their loss of creditworthy status, financed by bank credits. This is due to the individualized approach of banks to the enterprises, and their participation in the restructuring of the companies whose problems seem temporary.

Hazardous Conditions in Chemical Plants Described
93WN0028A Poznan WPROST in Polish No 40, 4 Oct 92 pp 34-37

[Article by Eryk Mistewicz: "Bomb Factories: An Equipment Breakdown or Terrorist Attack at the Gdansk Bimet, Where Several Dozen Tons of Ammonia are Stored, May Imperil One-Half of the Population of the Gdynia-Gdansk-Sopot Tri-City"]

[Text] In Poland more than 100 large industrial plants use so-called hazardous materials. A special threat exists wherever liquid chlorine, ammonia, ethylene oxide, phosgene, and acrylonitrile are stored and used in manufacturing.

In Warsaw Voivodship alone 23 industrial plants use large quantities of toxic compounds (2,600 metric tons in the city of Warsaw itself alone). At the Norblina Rolling Mill, where ammonia is stored in a 30-ton tank outdoors, Civil Defense inspectors are speaking of the need to eventually evacuate the population within a radius of 2 km. Were the chlorine accumulated at the Water Supply Works to be released, a rescue operation would have to be conducted within a radius of 30 km. As for the Polfa Plant in Tarchomin, it contains a veritable chemical bomb for Warsaw—it regularly stores about 100 metric tons of potassium cyanide.

At the Gdansk Bimet, which is located in downtown Gdansk, several dozen metric tons of ammonia are stored. Inspectors warn that in the event of a terrorist act 20 tons of released ammonia can seriously imperil people within a 20-km area, that is, the population of one half of Tri-City.

Huge quantities of phosgene and hydrofluoric acid, respectively, have been accumulated at the Polfa [Pharmaceutical] Plant in Starogard and the Petrochemical Plant in Plock. Were the chlorine accumulated at the Organika-Rokika Works in Brzeg Dolny to be released, thousands of casualties would have to be expected (23,000 deaths, 143,000 severe and medium injuries, 417,000 light injuries, within a zone of more than 6,000 square kilometers, this being the finding of an analysis of a simulated breakdown).

The accident with a train of chlorine-containing railroad cistern tanks near Bialystok in 1989 made it clear for only a brief period of time that a tragedy can happen not only in the vicinity of industrial plants. The nature and causes of perils to the transportation of hazardous materials and their location across the country can be roughly determined on the basis of records of chemical rescue teams. It turns out that such accidents occur practically anywhere, and most of them are caused by neglect and disregard of basic rules for the security of the transportation of hazardous materials. A similar situation exists on the highways: one-third of the drivers lack any training for the transportation of this kind of freight—they themselves decide on the routes and loading time

without notifying the appropriate services. The police, even in downtown Warsaw, confine their control to checking signposts.

No rescue plans have yet been worked out for the nation's capital in the event of a chemical disaster, although drivers of chlorine-containing cistern tank trucks cruise in peak traffic hours on the streets of Warsaw's Zoliborz Borough.

Only recently has an evacuation plan been prepared in the event of a flood following the breakdown of a dam at Debem, or in the event of a breakdown of nuclear reactors in Swierk (although the first reactor had been activated there as far back as in 1958). In the latter event, the evacuation of 53,000 people is planned. But individual responsibilities have not yet been pinned down and the funding sources for the rescue action are still unknown. Civil Defense is not prepared for this, and these plans remain only on paper. At the latest session of the Voivodship Defense Committee it was stated that "The conduct of an efficient rescue operation in the region of Warsaw is nowadays infeasible, chiefly owing to the inefficient communications system."

A tragedy, with consequences comparable to those of a chemical spill, may also happen at any of the 147 larger water dams. Experts from the Center for the Engineering Supervision of Dams at the Institute of Meteorology and Water Management estimate that as many as 22 hydro-technical projects are by now quite unsafe, and 32 others are marginally safe. According to the NIK report, two especially dangerous spots are the dams at Brzeg Dolny on the Odra River (built in 1958) and at Wloclawek. The latter is in a catastrophic condition: Water flowing from a height of 15 or so meters is punching out 10-meter holes under the concrete embankment protecting the stage of fall; the river increasingly penetrates the bed of the dam, and by now a dam-burst is merely a question of time. "There is danger to the population over a considerable area below the stage of fall," warns the NIK report.

"Extraordinary environmental perils may arise any time and anywhere," said Wieslaw Paluszynski, deputy inspector general for environmental protection. "They menace human health and lives and may cause increasingly grave harm to an already greatly devastated environment. At a distance equal to the distance between Poland and the Chernobyl Nuclear Power Station there exist 26 active nuclear facilities out of the European total of 150. In a normal country any reactor breakdowns serve to infer conclusions."

Unfortunately, there still is no systematic monitoring and evaluation of the radiation situation.

Too many cooks spoil the broth. Professor Stefan Kozlowski, the then head of the Environmental Protection Ministry, had wanted to take over from the State Atomic Agency the Central Radiological Protection Laboratory and incorporate it in the early warning system being established at that ministry. But the head of the

State Atomic Agency refused, and the chief sanitary inspector even proposed shutting down that laboratory as a "too expensive" facility.

The State Inspectorate for Environmental Protection gained only a year ago the right to organize a national environmental monitoring system, that is, to perform systematic and coordinated measurements. But the custom of notifying environmental protection services about potential dangers still has not been adopted, and likewise it is practically a mystery who is to "warn and notify the population" about extraordinary dangers.

Not even elementary information has been provided for the people who live in the environs of industrial plants, although the substances stored and used at these plants are known to experts, as are the consequences of potential accidents. The public does not know whether it should hide in the cellar or on the roof in the event of a chlorine spill. They do not know either who is supposed to tell them that. Industry, the principal source of these hazards, does not feel burdened with this duty.

Alarm sirens, even when turned on, would be ignored, because the public associates them with solemn funerals, anniversary celebrations, and practice drills, rather than with any real peril. No one knows who is in charge of ordering preventive actions, such as restrictions on the consumption of specified farm products or on exposure in outdoors areas.

Although such hazards are potentially present in magnified form on two-thirds of the country's territory, Poland has only 109,500 shelters and hideouts, most of which were built before 1960. There is a shortage of gas masks, drugs, and food, because instructions for using the shelters do not provide for situations of sudden danger. Moreover, there are no shelters in smaller cities. Besides, Civil Defense studies have shown that the shelters are poorly maintained and often used for extraneous purposes.

Following the publication of the advertisement, "For sale: antiaircraft and nuclear shelters," in Krakow newspapers, phones began to ring at the company that had placed that advertisement, and three persons decided to make an advance payment for "a shelter under a house."

In Switzerland, there is room in the shelters for 95 percent of the population (also in the event of ecological disasters); in Sweden, 86 percent; in Denmark, 56 percent; in Czecho-Slovakia, 40 percent; and in Germany, 11 percent. But in Poland shelters can accommodate only 4 percent of the population, and there are barely enough gas masks and protective clothing outfits for 8 percent of the citizens.

In this country wishful thinking of the kind "If anything happens, we declare a state of emergency" is followed, despite the fact that it is known that it is the activities of specialized services that matter most in rescue operations.

But legal foundations for chemical rescue operations are absent, the financial aspects of such operations have not

been regulated, and there is a lack of an agency coordinating the whole of the activities of these services at 40 particularly dangerous workplaces. The six professional chemical rescue teams attached to the chemical plants in Plock, Bydgoszcz, Tarnow, Pulawy, Oswiecim, and Brzeg Dolny are supposed to operate only in the event of accidents at their own plants; providing outside assistance is to them merely a question of moral obligation.

Recently some chemical rescue services began to be liquidated, because they exist solely owing to the goodwill of the industrial plants to which they are attached and which subsidize them.

"This year we had to deal with a butadiene fire in Oswiecim and a cataclysm was averted only owing to an efficient and self-sacrificing rescue operation.

"A couple of days later another fire broke out, once again in Oswiecim. The facilities are becoming older and older, and we are balancing ourselves on an increasingly thinner rope," said Jerzy Wronski of the State Labor Inspectorate.

The fire brigades, which usually are informed about chemical accidents, are receiving a growing number of calls about gas explosions and road accidents. Recently a Yelets truck hauling a cistern tank containing 25,000 liters of ethyl gasoline, which began to leak, fell into a ditch near Malbork. At any moment an explosion could have occurred, but the local fire department lacked the right pump. Such a pump was had by the local railroad guards, but their commander refused to help out, as did the commander of the nearby military unit from which, incidentally, that cistern tank was being transported. The gasoline began to spill into the ditch....

The division of powers and responsibilities and functions still remains unclear. Likewise, legal foundations for rescue operations are still absent: We lag behind in the legal regulation of such matters not only with respect to the West but also with respect to the neighboring countries.

"It used to be that 'the law of the mimeograph machine' sufficed, for who could have imagined 20 years ago a breakdown of the Friendship Pipeline, [carrying crude petroleum and/or natural gas to Poland from the former Soviet Union]?" asked Professor Ryszard Paczuski, a legal expert at the Mikolaj Copernicus University in Torun. For the last seven years there has been parochial dissension among the various ministries, which to this day discuss how to define "breakdown," "catastrophe," and "environment." They all officially thanked Prof. Kozlowski for pressing for an urgent settlement of this issue, but at the same time the current messed-up status of the proposed law on extraordinary environmental perils suits many of these agencies just fine, because thus they can disclaim responsibility when a tragedy happens.

The issue of accountability is still being pondered, and in the last eight years seven different ministers of environmental protection have been appointed, one after another, which also does not contribute to resolving these matters.

"At present it is not only cooperation that is lacking: The rescue teams under the jurisdiction of different ministries are even ignorant of each other's existence," said Director Jerzy Ludwiczak of the Taskforce for Counteracting Extraordinary Environmental Perils, State Inspectorate for Environmental Protection.

"The huge ecological peril still is not perceived by certain institutions, while others do perceive it but lack the funds. Others still have, to be sure, the funds and equipment, but they are not obligated to conduct rescue operations," said a senior expert at the KNT [Railroad Engineering Supervision].

At the Ministry of Health, for example, a disaster is not mentioned unless there are deaths among the casualties. The Ministry of National Defense views counteracting extraordinary environmental perils as an opportunity for keeping alive an ossified paramilitary formation, Civil Defense, which has for years now been hanging on by the grace of the budget. The Ministry of Transportation, the Ministry of the

Interior, and the National Security Bureau support the activities of the Ministry of Environmental Protection.

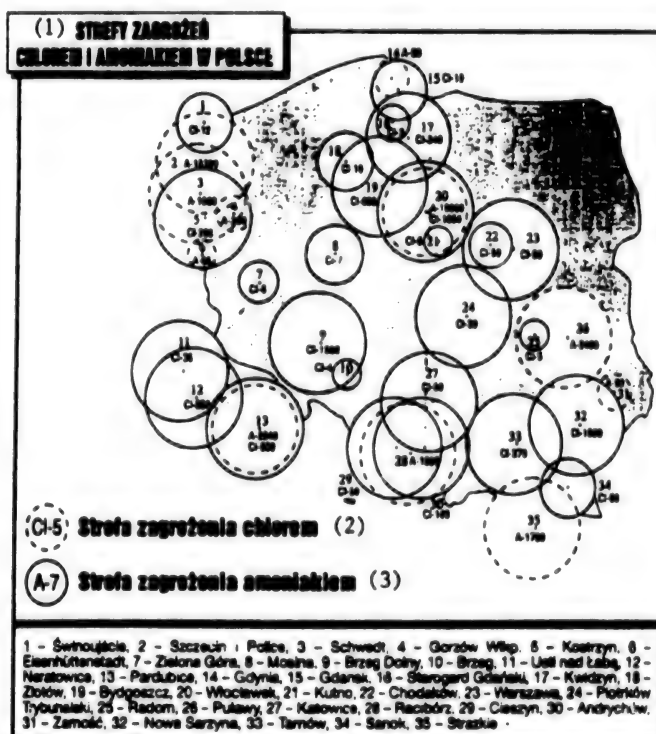
The final draft of the law on extraordinary environmental perils is to be completed by the last-named ministry by the end of October. The new law puts an end to political accountability and shifts from the budget to the perpetrator or to a special insurance fund the burden of counteracting the effects of such perils.

This should also result in unifying operating procedures and determining the division of powers and accountability on the basis of European and international conventions.

"Any law, even an optimally worded one, merely provides a certain framework and legal foundations for action. Unless translated into the language of specific undertakings, it produces no effect," said Prof. R. Paczuski, the framer of underlying principles of the law draft.

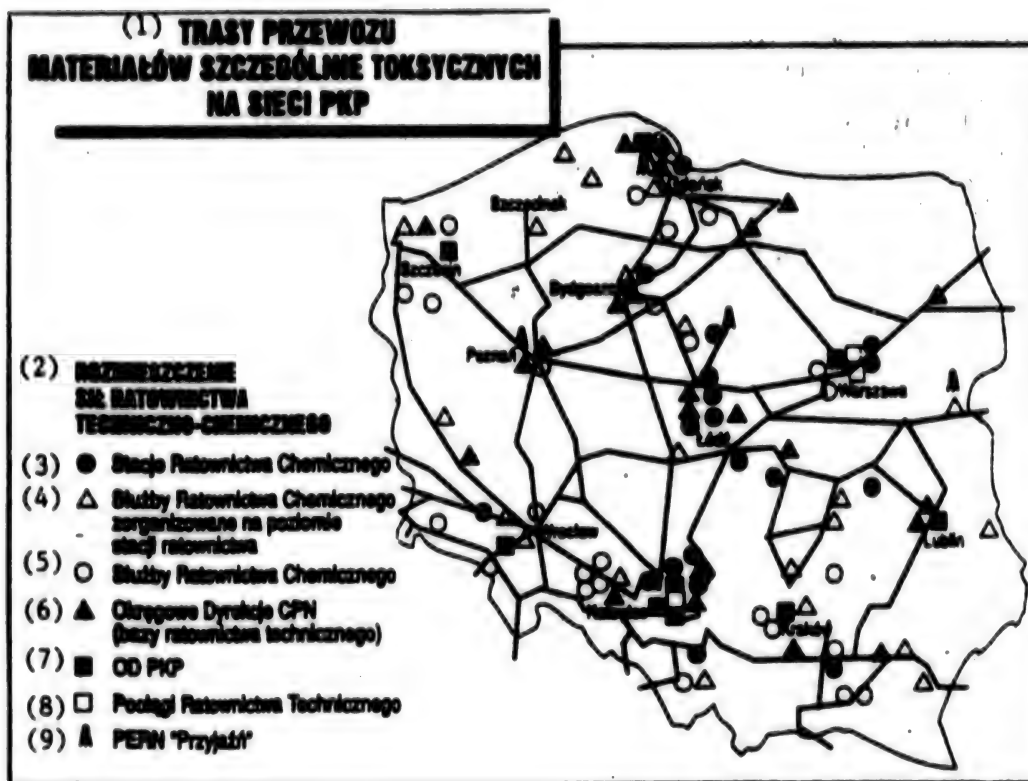
"Extraordinary environmental perils always are hypothetical perils, and anybody who claims that he will settle them, that he will completely solve the problem, is a liar," said Director J. Ludwiczak. "Extraordinary environmental perils will always happen, and we should be optimally prepared for them."

There is the significant case of a fired employee who had a family to support and who, in an act of despair, tried to tamper with an ammonia facility at one of the plants. Once again we were lucky: He could not cope with a corroded valve.



Key:

1. Chlorine and Ammonia Danger Zones in Poland
2. Chlorine Danger Zone
3. Ammonia Danger Zone



Key:

1. Transportation Routes of Particularly Toxic Materials on the PKP (Polish State Railroads)
2. Deployment of Chemical-Technical Rescue Teams
3. Chemical Rescue Stations
4. Chemical Rescue Services organized at rescue-station level
5. Chemical Rescue Services
6. District Directorates of the CPN (Petroleum Products Center) (technical rescue bases)
7. District Directorates of the PKP
8. Technical Rescue Trains
9. Friendship Pipeline Pumping Stations

**Especially Dangerous Plants
(According to an Internal Study by the
State Inspectorate for Environmental Protection)**

1. Oswiecim Chemical Works in Oswiecim
2. Nitrogen Works in Chorzow
3. Nitrogen Works in Tarnow
4. Blachownia Chemical Plant in Kedzierzyn
5. Kedzierzyn Nitrogen Works in Kedzierzyn
6. Pulawy Nitrogen Works in Pulawy
7. Wloclawek Nitrogen Works in Wloclawek
8. Silesian Refinery
9. Gdansk Refinery
10. Mazowsze Refinery and Petrochemical Plant in Plock
11. Subcarpathian Refinery named after I. Lukasiewicz in Jaslo
12. Organika-Zachem Chemical Plant in Bydgoszcz
13. Organika-Azot Chemical Plant in Jaworzno
14. Organika-Sarzyna Chemical Plant in Nowa Sarzyna
15. Organika-Baruta Dyestuffs Industry Plant in Zgierz
16. Odra "Organika-Rokita" Organic Industry Plant in Brzeg Dolny
17. Organika-Benzyl Chemical Plant in Skarzyno Kamienna
18. Poznan Phosphorous Fertilizers Plant in Lubon near Poznan
19. Chemitex-Elana Chemical Fibers Plant in Torun
20. Chemitex-Anilana Chemical Fibers Plant in Lodz
21. Chemitex-Celwiskoza Chemical Fibers Plant in Jelenia Gora
22. Chemitex-Wistom Chemical Fibers Plant in Tomaszow Mazowiecki
23. Grodzisk Polfa Pharmaceutical Plant in Grodzisk Mazowiecki
24. Starogard Polfa Pharmaceutical Plant in Starogard Gdanski
25. Tarchomin Polfa Pharmaceutical Plant in Tarchomin, Warsaw
26. Police Chemical Plant in Police near Szczecin
27. Tarnowskie Gory Chemical Plant in Tarnowskie Gory
28. Alwernia Chemical Plant in Kwaczal
29. Petroleum Products Center in Warsaw
30. Siarkopol Sulfur Mine in Grzybow
31. Lower Silesian Organika Chemical Plant in Zarow

32. Metalchem Chemical Equipment Plant in Zarow
33. Pabianice Polfa Pharmaceutical Plant in Pabianice
34. Kutno Polfa Pharmaceutical Plant in Kutno
35. Warsaw Polfa Pharmaceutical Plant in Warsaw
36. Chemitex-Stilon Chemical Fibers Plant in Gorzow
37. Chemitex-Wiskord Chemical Fibers Plant in Szczecin
38. Chodakow Chemitex Chemical Fibers Plant in Sochaczew
39. WRoclaw Chemitex Chemical Fibers Plant in Wroclaw
40. Pulp and Paper Plant in Swiec-on-the-Vistula
41. Pulp and Paper Plant in Wloclawek
42. Pulp and Paper Plant in Kwidzyn
43. Kostrzyn Papermaking Works in Kostrzyn Odrzanski
44. Kalety Pulp and Paper Plant in Kalety
45. Niedomice Papermaking Works in Niedomice
46. Papermaking Works in Krapkowice
47. Petroleum Pipeline Maintenance Enterprise in Plock
48. Marine Cargo Port in Gdynia

Press Reporting on War Crimes Contrasted
 93BA0047B Belgrade BORBA in Serbo-Croatian
 2 Oct 92 p 12

[Article by J. Floric and B. O. Ilic: "War 'Colored' by the Press"]

[Text] *POLITIKA, VJESNIK, and BORBA all agree that many civilians, prisoners, and wounded were killed and a multitude of settlements were destroyed during the war in Croatia—and that is the only thing they agree on.*

The research on war crimes in Croatia that sociologist Nataša Kandić recently (partially) presented in a talk in Belgrade circles is undoubtedly a sort of testimony regarding the terrors in these territories of the former SFRY. The study arose through an analysis of articles published in what are generally thought, the author says, to be the most influential daily newspapers in Serbia and Croatia, BORBA, POLITIKA, and VJESNIK, but it is also supported by direct statements from witnesses.

On the basis of facts from three independent sources about cases of violations of human rights, Geneva Convention standards, and basic humanitarian principles, the research concludes that they were seriously threatened in Croatia, and that the rules of war were violated. There are also indications of brutal attacks against individuals and groups exclusively because of their nationality, and also of the creation of ethnically homogeneous territories through the forcible relocation and separation of the population. On the other hand, just by leafing through the project, in which seven months of articles on specific events are singled out, it is obvious that they were portrayed differently in individual areas and periods. The cases are otherwise classified by the type of violation of the Geneva Conventions and violations of human rights from 1 September 1991 to 15 January 1992, and they also partly cover the time before the Serbian-Croatian classic armed conflict.

The Truth From Two Ends

During that period, all three newspapers wrote about the war as part of everyday life in the "disputed" territories. At that time POLITIKA emphasized the measures and actions through which the Croatian police and army were threatening the Serbs' right to life and freedom. VJESNIK, at the same time, found that the irregular Serbian militia and paramilitary groups from Serbia were committing violence against Croats and destroying their civilian property. According to BORBA, there were cases in which the targets were civilians of Serbian nationality, but also cases in which citizens suffered just because they were Croats. The study then specifies the crimes: with respect to deliberate killings, POLITIKA recorded 31 because of ethnic identity, while BORBA and VJESNIK virtually did not differ with respect to that number. The former newspaper reported 19 deliberate killings, and the latter 17. This concerns the prewar period, naturally. At that time, in connection with unprovoked attacks against 26 civilians, as it stated,

POLITIKA emphasized the threat to Serbs, and VJESNIK wrote that Croats were being terrorized—16, while BORBA cited 10 attacks against Serbs, eight against Croats, two against foreign citizens, and seven against citizens whose ethnic identity was not indicated. This newspaper wrote that both Serbian forces and the Croatian guard, as well as individual extremists, were responsible for unprovoked attacks.

Between VJESNIK and POLITIKA

After the "official" beginning of the war on 1 September 1991, all three newspapers agreed that many civilians were killed in Croatia solely because of their nationality. On the basis of the data presented, there are indications that such killings were committed in at least 150 cases. With respect to specific incidents, however, the differences are obvious. POLITIKA reported on 64 murdered civilians. Noncombatants, according to these reports, were liquidated just because they were of Serbian nationality, and this was primarily in western and eastern Slavonia, but the killing of five Croats was also noted. VJESNIK cited 65 killings, of which Serbs were the victims in five cases, and Croats in 45. According to BORBA, 60 civilians were killed; most of those killed were of Serbian nationality, and 11 Croats lost their lives.

It should be mentioned here, however, that many crimes were only learned about considerably later, and the best example of this is the village of Lovas. VJESNIK only reported on the events of October 1991 on 26 December, and BORBA published the researched case, with facts and statements by members of the antisaboteur detachment of the Valjevo TO [Territorial Defense], on 28 February 1992. Let us recall that this was testimony that members of the Dusan Silni detachment tortured residents, and about 60 territorial defense troops and 10 of "Jovic's men" forced 80 residents to deactivate mines that had previously been laid by the Yugoslav Army. Apparently 45 Croats died on that occasion, and 15 of them were wounded.

According to the articles, the first ethnic cleansings began during July and August 1991. VJESNIK's reports cite facts about the burning and destruction of 53 villages and the destruction of parts of settlements in which Croats lived. Also noted was the burning of villages whose population consisted of Czechs and Hungarians. The Yugoslav Army was attributed with being responsible for the destruction of 34 Croatian villages, as well as supporting Serbian paramilitary formations in another 14 villages. It was claimed that the Army, and not the Croatian authorities, ordered the withdrawal of the Serbian population from the area of Papuk, Pšunj, and Bilogora. This newspaper stated that Serbian paramilitary groups first of all forcibly moved Croats out of Baranja, and then, under the command of the Yugoslav Army, turned all the territory seized into purely Serbian territory. VJESNIK also cited 38 cases of the deliberate expulsion of Croats, and wrote about the "Ilok convoy"

as the most massive exodus of Croats, since on that occasion 15,000 of them emigrated.

POLITIKA wrote that in this case the Croats emigrated because they had so decided in a referendum, and according to that newspaper, the referendum was organized by the Croatian authorities. The author of the study, Natasa Kandic, spoke in March 1992 with residents of Croatian nationality who stayed in Ilok. As they testified, they lived in fear of the new Serbian authorities and the Serbian immigrants who moved into the empty Croatian houses. In talking about the reasons for the Croats' emigration from Ilok and the nearby villages, they most frequently cited fear of Chetniks. People in the city knew about murders and massacres in the nearby villages. Those who stayed could only leave if they signed a declaration that they were donating their property to the local authorities and that they were leaving voluntarily.

POLITIKA and BORBA presented testimony from refugees from the vicinity of Grubisino Polje that suggests the conclusion that the Croatian forces started an "ethnic cleansing" offensive in western Slavonia by destroying Serbian villages, and that on that occasion they committed crimes against the population....

Shift in Vojvodina's Ethnic Balance Feared

93BA0043A Novi Sad MAGYAR SZO in Hungarian
28 Sep 92 p 5

[Article by P.P.: "Hungarians, Too, Are Escaping: The Minority Issue Is Not an Internal Affair; FUEV Representatives in Senta"]

[Text] As part of its tour of Vojvodina, the delegation of the Federation of European Ethnic Groups [FUEV] paid a visit in Zenta [Senta] yesterday (Sunday). Mayor Gabor Toth Horthi welcomed FUEV chairman Dr. Karl Mittendorfer and members of the delegation on behalf of the municipal legislature.

The Zenta chairman reported on the municipality's extremely grave economic situation. Among other things he said that industrial production had come to the brink of bankruptcy, and that the volume of agricultural crop harvested had fallen short by 70 percent due to the drought. The municipality has 1,500 registered unemployed and 1,200 welfare cases at this point, none of whom receive satisfactory financial support despite the greatest efforts.

"Despite this situation, the Republic's Refugee Affairs Committee tries to force the municipality to accept 2,700 refugees. We are not short on good will; instead, we simply cannot afford to admit such large number of people. We are simply unable to accept responsibility for these people. If they were to force them to come here nevertheless, their presence would threaten social and ethnic disturbances.

"If the authorities provide financial support, Zenta is able to accept 30 to 40 new refugees at the most, because

as things stand today, the winter heating problems of two-thirds of the populace have not been resolved," Gabor Toth Horthi said.

People's Representative Dr. Ferenc Kormendi pointed out that changing the ethnic composition was clearly the issue: The Vojvodina constitutes one-fifth of Serbia, and 50 percent of the refugees already stay in this province. At the same time, about 30,000 Hungarians have escaped thus far from Vojvodina.

Zenta legislative Deputy Chairman Rudolf Hopp requested the FUEV representatives to inform the people of the world about the difficult situation of Hungarians in Vojvodina. He also said that Hungarians were also forced to escape from the South-Banat region, some of whom had to be settled in the northern municipalities of Vojvodina.

Dr. Karl Mittendorfer said that the minority issue was no longer a mere internal affair of individual countries. FUEV is going to report to the Council of Europe within the shortest possible time about the grave situation Hungarians experience in Vojvodina, and that he is going to do everything he can to prevent the worst thing from happening. In Mittendorfer's view the solution to the problem rests with the idea of autonomy as detailed by the VMDK [Democratic Union of Hungarians in the Vojvodina], and therefore FUEV also supports plans for autonomy before international organizations. Simultaneously, FUEV is calling upon the Government of Serbia to change its present position regarding this highly sensitive issue.

The FUEV representatives also visited the Zenta Hospital, and the town of Szajan [Sajan].

Novi Sad TV Cuts Ethnic Minority Programs

93BA0043B Novi Sad MAGYAR SZO in Hungarian
23 Sep 92 p 4

[Article by M.V.: "What Did They Expect? Reactions by Parties to the Cunning Liquidation of Nationalities Programs"]

[Text] A report published in the Ujvidek [Novi Sad] Television's in-house enterprise newspaper raised the possibility of fully adopting the programs of Novi Sad plus in the near future in order to streamline program financing, and of broadcasting the same beginning at 2000 daily. From a practical standpoint this is a nice, refined, but cunning way to terminate nationalities programming. We asked a few representatives of the various parties about their view of this radical step. We present here the opinions expressed by the VMDK [Democratic Union of Hungarians in the Vojvodina] and the Vojvodina Social Democratic League.

VMDK, Janos Vekas: "I have no direct knowledge of the developments at the television, but I know very well that

the radio has, for months, been broadcasting reports about streamlining; they are talking about a 30-percent cutback in personnel to pressure journalists, because many are leaving voluntarily due to the hopeless situation. The shortage of journalists already creates serious problems at the Hungarian desk of the Ujvidek Radio, and the situation is aggravated by refusals to permit hiring new people. The Serbian Government has approved the law governing the Serb Radio and Television; from a practical standpoint this meant that the nationalities program plan could have been implemented immediately upon the approval of the law. (It is yet another matter that this has not been implemented in our area.) Provisions of the Serbian RTV law state that no separate programs need to be broadcast in the languages of national minorities; it would suffice to translate Serbian programs into the languages of nationalities. In addition they may broadcast folk music and other programs of a folklore character. As I mentioned before, this document has been adopted, and with that the psychological pressure has already begun, i.e., a threat of reducing the number of nationalities programs has existed from the outset. And after all this they publish something of the kind you just mentioned. This kind of thing cannot be permitted to happen; publishing this and similar reports constitutes a crime even if they are false. We must object firmly to this kind of reporting, regardless of whether they are true or untrue. And it would be clearly outrageous if these plans of the television were true."

Vojvodina Social Democratic League, Nenad Canak: "What did you expect? Those in power continue to strive to annihilate the culture of Vojvodina. By this I mean both the Serbian culture and the diverse culture of nationalities in Vojvodina. All this is done under the veil of shortage of funds, and my response is that there is no money without autonomy and there is no autonomy without money. My name has not been allowed to be mentioned on television for more than a year now—they simply prohibited the mention of my name. Television is arbitrarily ruling our society. On the other hand, I must also state that we, in Vojvodina, must unite, and that we must organize ourselves not on the basis of nationality. All those who live here must act jointly on a regional basis. At the same time we must represent the common will of people who live here. I believe that fragmentation is based on a mistaken idea, and as you see, this is where it leads: They cunningly discontinue broadcasts in the languages of the nationalities at the Ujvidek Television."

Belgian Battalion in Baranja Seen Favoring Croats
93BA0053C Belgrade BORBA in Serbo-Croatian
1 Oct 92 p 2

[Article by B.G.: "Suspicious of Bias"]

[Text] *This unit within UNPROFOR [UN Protective Force] is being criticized for siding with the Croats and Hungarians since the first day, and constantly provoking the Serbs.*

Beli Manastir—Since UNPROFOR came to the territory of the former Yugoslavia, close to 1,000 members of the Belgian-Luxembourg battalion have been located in Baranja. Even at the time of their arrival, the local authorities suspected that they would be biased toward the Croatian side, and that there would be problems with these soldiers. There have also been several incidents, but the dissatisfaction has stiffened these days, so that almost every action by unit commander Jean-Marie Zoken is only pouring oil on the fire. At the last meeting of the Republic of Serbian Krajina [RSK] Assembly, the people of Baranja even demanded that this battalion be replaced with any other one. The cup of bile overflowed a few days ago when the sugar factory in Beli Manastir was prohibited from using the water of the Drava for producing its "sweet crystal," while the sugar factory in Osijek was allowed to do the same thing.

"We are demanding that the Belgian battalion be replaced with any other one. We have several reasons for this. From the first day, we have not been satisfied with their conduct," stated Bora Zivanovic, chairman of the Beli Manastir municipality's executive council. "There have been cases in which their soldiers break into yards at night, mistreat people who are sleeping, provoking them in various ways, and thus causing incidents. Everything culminated when they prohibited the sugar factory from using water from the Drava. We have already suffered \$2 million in damage from this, and we ought to seek compensation."

"When the use of the Drava's water was prohibited, the explanation was that it was being done in order to avoid provoking conflicts," emphasized Dragan Dasic, president of the Higher Court in Beli Manastir. "According to the Vance plan half of the river is ours; the river means life, and taking the water does not mean a provocation."

The people at the sugar factory emphasize that this is a prohibition against processing sugar beets and producing 15,000 metric tons of sugar, which is necessary to feed the people in Baranja. The sugar factory's operation not only means ensuring enough food, but also employing people and ensuring their subsistence. The ban on using the water also means that the sugar beets have to be shipped to Serbia, specifically to Crvenka and Bac, for processing. This requires new expenses, especially in conditions in which there is no oil. In any case, analyses indicate that it does not pay to ship the sugar beets more than 15 kilometers for processing. Perhaps this kind of measure would be all right if it were also applied to the other side. Because sugar is not being produced in Beli Manastir, the people in Baranja are preparing to demand that the UN provide compensation for the damage to them.

"The UNPROFOR forces that are supposed to preserve peace here," emphasized Dragan Dasic, "have behaved in a biased manner from the beginning, and do not

conceal their inclination toward the Croats and Hungarians. The great people's assembly of the RSK has discussed Baranja's demand that replacement of the battalion commanded by Jean-Marie Zoken be requested, but it was decided that the mistakes would be pointed out once more to UNPROFOR's leaders and the UN, and that only then would this final action be undertaken."

RSK Minister Martić Protests to UNPROFOR

93BA0053A Belgrade *POLITIKA* in Serbo-Croatian
1 Oct 92 p 16

[Article by M. Cetnik: "Martić's Sharp Protest to UNPROFOR"]

[Text] *New disagreements because of the Peruca hydroelectric plant; the police minister of the Republic of Serbian Krajina [RSK] has protested because soldiers from the Kenyan battalion did not allow three Krajina officials into the hydroelectric plant's installations.*

Knin, 30 Sep—Milan Martić, the RSK police minister, sharply protested today because of the action of UNPROFOR [UN Protective Force] members, who did not allow three Krajina officials access to the Peruca hydroelectric plant dam complex on the Cetina River.

The protest, sent to the UNPROFOR command in Zagreb, the South Sector command in Knin, and the Federal Republic of Yugoslavia's state committee for cooperation with UNPROFOR in Belgrade, states that soldiers from the Kenyan battalion, which has recently been controlling the dam on the 18-km-long artificial lake on the Cetina, prevented Energy Minister Djordje Bjegovic, Krajina electric power industry Director Milivoje Kricka, and Knin SUP [Secretariat for Internal Affairs] Secretary Ilija Prijic from entering the Peruca hydroelectric plant dam complex. The Krajina government has made the three officials responsible for the work on revitalizing the Peruca hydroelectric plant (it has not been in operation for a year), and all three have already been conducting work at the dam for a long time.

Yesterday, however, at the same control point, THE NEW YORK TIMES reporter Cak Sudetic and Ljubljana NEZAVISNI DNEVNIK reporter Nikola Damjanic were allowed through to the dam area.

"The above-mentioned reporters, in the evening of the same day, requested explanations and further information in connection with the situation at the dam from the Knin SUP. Since these are reporters who have written very tendentiously and unobjectively in the past about events in Krajina, we feel that they will also use their visit to the Peruca hydroelectric plant dam for propaganda purposes and to Krajina's detriment. Obviously in the two cases cited a different approach was used with respect to people engaged in their professional obligations and tasks, which surprises and concerns us, but also causes unnecessary disturbance and tensions," the protest concluded.

RSK Leaders See Return of Refugees Impossible

93BA0053B Belgrade *BORBA* in Serbo-Croatian
1 Oct 92 p 2

[Article by B.G.: "The Return of Refugees Is Impossible for Now"]

[Text] *Statements by officials of the Republic of Serbian Krajina [RSK]; Goran Hadzic: "It is the work of extremists"; Zdravko Zecevic: "We do not accept a special status"; Milan Martić: "A provocation and pressure against UNPROFOR [UN Protective Force]"; Milan Babic: "There was a rush to accept the Vance Plan."*

Vukovar—Close to 100,000 Croats and Hungarians have fled the RSK's territory since the beginning of the war. They went to Croatia, Hungary, or relatives in Europe. Most of them left in order to participate on the side of the Croatian Army; others, in turn, left for their children, some for a better life, and a smaller number out of fear of the terrors of war. Croatia, however, has not renounced these territories, which "have been lost to it forever," at least as the Serbs there say. Most of the clashes have been precisely over Baranja.

Goran Hadzic, president of the RSK, emphasizes with considerable optimism that it will not happen, and that such an intention will be blocked by the UNPROFOR forces, as called for by the Vance plan in any case. "If that irrational action did occur, I believe," Hadzic added, "that it could only be organized by extremists, because it would be sending people to their deaths. In any case, it would also mean the beginning of a new war, and at this time that does not suit anyone, even Tudjman's government. I think that there has been a lot of bloodshed, and that these are pressures that will continue, but we are prepared to defend ourselves."

"We will not accept any kind of special status," added Zdravko Zecevic, prime minister of the RSK. "We will engage in another war rather than fall under Tudjman's authority again. The only solution is to create a federation of Serbian lands. We will not accept a pink zone or one of any other color. It is exclusively a result of the ill-considered policy of the former structures, which accept those offers. It is also conducting a separate policy, bypassing the republic assembly, to which no reasonable person could consent."

"The refugees' return to Baranja and to the RSK's territory in general is out of the question, at least in the way that the Croats conceive of it," said Milan Martić, minister of internal affairs in the RSK. "It is only a provocation and pressure against UNPROFOR. The peacekeeping forces will not allow the refugees to be returned by force, since the conditions under which it can be done have been known for a long time—i.e., those

who want to return submit applications, they are considered, and those who did not participate on the enemy side receive answers as to whether they can return or not. If UNPROFOR's front line is penetrated and the arrival of the Croats and Hungarians is permitted, the peace-keeping mission will be over, but we are prepared to defend ourselves. We will protect the people living here with our own forces."

Dr. Milan Babic, president of the municipality in Knina and former president of the RSK, rarely speaks about current problems. He says that he did not participate in signing the Vance plan, which is creating problems now, and for that reason he is keeping silent. "When the plan was offered, I immediately pointed out why I was against it. Those are the problems that are occurring today," Babic said. "It would be stupid for me to criticize the same thing today. But the biggest problems now are with the 'pink zones,' and I pointed out all of this when people were in a rush to accept the Vance plan."

Plundering of Krajina Cattle, Forests Detailed

93BA0101A Belgrade POLITIKA in Serbo-Croatian
15 Oct 92 p 12

[Article by M. Cetnik: "Who Is Drawing Capital Out of Krajina"]

[Text] Knin, 14 Oct—The tension of combat in the Krajina Republic is dropping off slowly, but surely, the "Vietnam syndrome" and the almost complete anarchy as to the law are encouraging and intensifying one another, and most of the population is trying to extricate itself from the claws of day-to-day misery. And businessmen, operating as financial brokers, are collecting capital (like squirrels) and placing it outside Krajina!

This clinical picture of Krajina reality is being confirmed to us by everyone—street vendors, dealers in foreign currency who drive them a hard bargain, and all the local public opinion leaders. The dream of Krajina as another Cyprus, into which capital rushes, borne by the magnetism of duty-free zones, has dissolved. Along with the rosy projection; the reality is the struggle of humanitarian institutions to stop the bleeding when it comes to social welfare. The Knin Center for Social Work (in addition to Knin Opstina, it also covers parts of territory formerly belonging to Drnis, Sibenik, and Sinj Opstinas), together with the Red Cross, is trying to care for 10,000 refugees and to feed 5,000-6,000 people entirely without means of support. Last month alone, 8,000 families received free assistance and food.

Krajina Government Abolishes the Foreign Service

In this region, refugees represent one-sixth of the population, and that is equal to the assumed number of a million and a half refugees in Serbia. Drago Kovacevic, director of the Knin Center for Social Work, especially emphasized in a statement for our newspaper the fact that Krajina does not have institutions specialized in

social welfare (homes for the elderly, homes for uncared-for children, specialized geriatric centers, psychiatric hospitals), but also that the Serbian Republic Krajina lacks sound treaties with the Republic of Serbia and the Serbian Republic [of Bosnia-Herzegovina] on the rendering of these services to citizens of Krajina.

The aid of international institutions to Krajina has been somewhat better only in the last few months, but in absolute terms it is negligible compared to what the world is sending to the other parts of the defunct Yugoslavia. But paranoid justifications are of no help here. Kovacevic told us that the sole reason for this situation is the high degree of disorganization in the social welfare system and then the lack of coordination and nonexistence of exact figures on indigents, although international humanitarians are persistently requesting such information. There is no regulatory legislation, there are no commissariats for refugees, there is no diplomatic corps....

The Krajina government has removed the foreign minister, it has not appointed another one, and it has thereby done away with the Foreign Service, at least for the present. "What use do we Serbs have for diplomacy?" the people of Knin say scornfully.

Kovacevic cites a recent case in which a Krajina negotiator in Geneva asked about the number of refugees in Krajina, shrugged his shoulders and turned to the telephone to see if he could find out this "bizarre information."

The Treasure Represented by Livestock Is Vanishing for Good

Social welfare is particularly threatened in Lika, where the winters are severe and stormy and where part of the population is fed by the military. In addition, because of the low population density and most recent migrations, it has been difficult to bring in the crops, so that the winter in Lika will certainly have sharp teeth.

It is a complete mistake to conclude from all this that the troubles with social welfare are wartime troubles and have nothing in particular to do with social welfare. The wounds of the war can be healed by foreign social welfare. However, at the same time there is an underground process not only undermining the system of social welfare, but even dismantling the economic foundation of Krajina. The livestock population, one of the largest natural resources and at the moment the most important, is being mercilessly destroyed and shipped out of Krajina. A small army of traders and buyers are buying up livestock for a song in the villages of Lika, Knin, and Bukovica and hauling them away in trailer trucks, usually to Serbia. These are, of course, shady private channels, not governmental channels, whereby the livestock resource is leaving for good and in return for little money. Just recently, the brokers have moved out of Krajina, following the refugees. Nor are they the only ones. Recently, the people of Knin have had occasion to see a minister holding one of the most important

portfolios in the Krajina government (with an apartment in Belgrade, of course) stuffing an entire calf into his official Mercedes in the center of town and driving it off to Belgrade. The slaughtering of livestock and the sudden jump of meat prices were inevitable. It is no longer possible, as it was a few months ago, to buy two lambs for a package of Winstons. The prices in butcher shops have almost reached those in Belgrade.

Because of the anarchy as to law enforcement and nonexistent protection, another resource of Krajina is being destroyed—the forests. This is outright stealing and reselling of wood. The branches of the Belgrade bank never even think of “taking a leap” with even the smallest investment project. The local bankers are keeping a few dinars behind tellers’ windows, but they are cramming more into the pockets of dealers, buying foreign currencies and “stashing them” in who knows what and who knows whose drawers.

SPS Leader Skundric on Opposition, Compromise

93BA0101C Belgrade BORBA in Serbo-Croatian
15 Oct 92 p 10

[Interview with Dr. Petar Skundric, general secretary of the Socialist Party of Serbia, by Cvijetin Milivojevic and Dragan Bisenic; place and date not given: “Others’ Dreams About Our Split”]

[Text] “The limit beyond which the Socialist Party [SPS] will not consent to further concessions to the opposition is the constitutional framework, the democratic character of the election, respect for the sovereignty of the citizens and their freely expressed will expressed by means of the ballot,” Dr. Petar Skundric, general secretary of the incumbent party in Serbia, said in an interview with BORBA. “The opposition has been making a great deal of public noise in an attempt to create the impression that the opposition favors some kind of democratic arrangements with respect to democratic spirit and the election procedure, representation of the parties in the media, and financing the parties, while the Socialists are afraid of those demands. The discussion in the roundtable in fact demonstrated that that simply is not true: The SPS proposed several versions of an election system, thereby displaying a great readiness to find a compromise on the points in dispute in this domain and to bring about conditions whereby all democratically oriented parties—those committed to power being taken by the will of the voters, not by force—will be regarded as equal and democratic. Unfortunately, a segment of the opposition has some strange conception of compromises whereby they can present ultimatums, and the Socialists are required to accept this on the basis of ‘either there is going to be the election we are demanding, or there will be no election.’ These demands overlook the reasons which led to these talks, and that is the firm determination of the SPS to resolve political conflicts by political means—best of all by an election—but not by extrainstitutional pressures and attempts to bring down the government by force. There is no reason

for the SPS to verify its effort, its program, and its personnel once again through an election.”

[BORBA] Do you agree with the assessment that your party “wants an election it will win, but not an honest election”?

[Skundric] I do not agree. The SPS sincerely wants an honest election. Our sincere acceptance of an early election casts no doubt whatsoever on the legality and legitimacy of the last one. We are ready to boldly and responsibly go before the citizens of our country once again, and it is up to them to choose those programs and representatives which will express their desires and interests most appropriately. The government in the FRY [Federal Republic of Yugoslavia] and RS [Republic of Serbia] must be formed exclusively on the basis of the will of the citizens expressed in an election. We favor the kind of government which will be able to guarantee citizens peaceful life and work, economic prosperity, social security, humane human relations, and, above all, a lasting peace.

[BORBA] Yet was the SPS not a bit late in consenting to a dialogue with the opposition?

[Skundric] It is never too late to talk, especially if it is a dialogue between equals who want to arrive at a compromise concerning certain issues in dispute. It cannot be said that the SPS is late, because it has been attempting in several ways and on several occasions to talk to the opposition. During these two last years, I would remind you only of the attempt to establish a national council which through the authority of the people it brought together would establish a consensus at least on the most vital national objectives. I would also recall our initiative to bring all the political parties together and draft an agreement before the election this May. It seems to me that those talks were avoided because political life and multiparty practice in Serbia had undertaken aggressive propaganda in which political opponents are seen as enemies. Accordingly, part of the opposition was evading discussion with the SPS or making it conditional upon ultimatums which were not accepted, because we do not favor a complete negation of the constitutional order and everything that has been done in the last two years. What they wanted is for round tables and other institutions outside the system to alter the character of government and the decisions of the citizens in the '90 and '92 elections. Nevertheless, some of the leading opposition parties backed off from ultimatums of that kind, and it has turned out that discussion is possible when the issues and mode of discussion are clearly defined and the results of such actions are evaluated in political terms.

[BORBA] For a long time now there has been talk in public about a “hard” and “soft” (“dogmatic” and “democratic”) line in the SPS and even of adherents of the SK-PJ [League of Communists—Movement for Yugoslavia], the SRS [Serbian Radical Party], and SDP

[(?) Social Democratic Party] among the Socialists. A quite serious split is often forecast....

[Skundric] Splits in the SPS have been expected from its establishment, but that will remain an empty desire. They must realize that the SPS is a very large party and that it is impossible and undesirable for so many members to think identically about all problems and solutions. It is true that there are differing opinions within the confines of our party, it is true that they can be freely expressed, just as it is true that they are not of such nature they threaten the party's unity. It is precisely the large size of our party that makes it necessary for us to work out more precisely democratic procedures to make it possible for the rank and file to have the last word in decisionmaking. As for various divisions into "hard" and "soft" currents, I can tell you that they have been invented by those who do not like the decisions and positions of the bodies of the SPS, and so, depending on what the person in question prefers, frequently one and the same people in the leadership of the SPS are classified now among the "soft-liners" and now among the "hard-liners." What is reliable is the fact that we accept debate and discussion in our party as a contribution to the building of party policy and the strengthening of democracy within the party. In that regard, certain arrangements have been envisaged in the bylaws which will make it possible for those differing opinions to be honored and given their proper weight, regardless of the level of party organization where they have emerged. That procedure should actually be a barrier to regimentation within the party and the practice that everyone who has a differing opinion on some issue need not a priori abandon the party, establish a new one, or switch to another one when he is left in the minority. Such a minority will be able to freely stick to its opinion, to seek reassessment of the decisions made and positions adopted, but until they are changed, to respect them and work for their implementation.

[BORBA] The departure of a large number of people from the present leadership of the SPS is being unofficially announced. Is there dissatisfaction among "those who are leaving"?

[Skundric] The arrival or departure of members of the leadership depends exclusively on democratic elections or the desire of individuals to be relieved of official position in the party. Because we are already dealing with democratic elections to the bodies of the SPS, I feel there is no reason for dissatisfaction.

[BORBA] What is the relation between the top leadership of your party and the president of the Republic?

[Skundric] President Slobodan Milosevic enjoys the full support of the leadership, just as he enjoys the full support of our membership and sympathizers as the founder of the party and its first president. That confidence which the president enjoys has been particularly evident during preparation of the Second Congress, when at all levels in the SPS there was a desire expressed

in a virtual plebiscite of the rank and file and leadership for Slobodan Milosevic to be elected president of the SPS once again.

[BORBA] Can the era of the Socialist administration be called successful? I am thinking here of Serbia's international isolation, the grave economic situation, the unenviable position of Serbs outside Serbia, of Kosmet, of Sandzak....

[Skundric] The grave economic situation, the large number of refugees, disunity with respect to vital national interests and interests of state—the list goes on and on. But when such a list is drawn up, people regularly overlook some of the facts, and they are that during the two years the Socialists have been in power, the citizens of Serbia have had a relatively high degree of security, the strong attempts and pressures to carry the war to the soil of Serbia have not succeeded. In spite of the international isolation and blockade, which is lasting longer than officially declared, the most vital processes in our society are proceeding relatively normally; Serbia is providing refuge to almost 500,000 refugees; a great deal of aid is going to the Serbian people in the krajinas, and so on. Anyone who thinks that that is easy to achieve, that these things work themselves out by themselves, either has no head for politics or is in great error. Our political scene is overflowing with various parties, their leaders, and even self-styled political missions offering instant solutions to our problems. The situation in which we find ourselves is not a simple one. It is affected by numerous powerful international factors whose power and influence are great and whose intentions are unclear. In the context of those circumstances, we consider the period of our administration to be successful. I do not say that there have not been mistakes, that certain moves might not have been made earlier, with more persistence, but it must be borne in mind that many of these things have not depended on us. Incidentally, it is not essential at all what the Socialists or the opposition think about our administration. The judgment of the citizens is the most authoritative. By granting their confidence or withholding it, they will render the true judgment of our policy. I have already said that I think that it will be favorable.

[BORBA] Do you believe that the SPS can repeat its success in the last Republic and federal election and in the different competition?

[Skundric] Yes, it can. In spite of the loud and aggressive campaign in Serbia and outside, which has been attempting to satanize the Socialists, to represent them as bolsheviks, nationalists, and the like, the Socialist Party has retained its membership and a large number of sympathizers and voters. I think it would be difficult to find in recent history an example where any party has been exposed to such pressures and attacks and at the same time has won the high confidence of the voters and managed to carry out its program. That is why we are willing to accept the judgment of the voters, because we feel that they will again express confidence in us because

of the policy which we have been conducting. The SPS does, of course, enter the election with the burden of being the incumbent party. The opposition will try to attribute everything that is bad to the Socialists, and it will try to portray everything that has been achieved as the result of its effort, as something accidental, or as someone else's effort. The most essential thing is that the political activity of all parties during these two years has been in front of the eyes of the public. The citizens cannot be tricked, nothing can be concealed from them, and they cannot be deceived. They will have the last word in the upcoming election, and I am convinced that the Socialist Party will again get a majority of the vote.

[BORBA] Will you retain any official position in the SPS after the congress?

[Skundric] That is not just a question of personal choice, but also of the democratic decision of the party, which will be made at the congress itself.

Two things are completely clear, that after the SPS Congress I will no longer hold the post of secretary general, and that I will continue, as I have done up to now, to perform my principal obligations as a university professor in the School of Technology and Metallurgy at Belgrade University.

[Box, p 10]

Panic—On Condition?

The fact that the SPS backed Prime Minister Panic and the federal government and, in defiance of its deputy caucus, confirmed their mandate should not be given the interpretation that we have renounced the right to point up oversights in what they do or express our disagreement concerning certain moves or initiatives of the government. We must become accustomed to the parliamentary practice in which the government must render accounts to the parliament for what it does, must obtain recognition or be criticized, or must even receive a vote of no confidence. There is no basis for the speculation which tried to show that in criticizing certain moves of the government the Socialists are boycotting the decisions of the London conference, especially in view of our commitment to peaceful, democratic, and political ways of resolving conflicts. Some ridiculous things are happening now—it turns out that credit for certain initial changes in the international community which show more appreciation for Serbia's views is to go to everyone except the Socialists and their government, which have been asserting this persistently and have stuck with those views as a matter of principle for two years now. At the same time, Prime Minister Panic, whom we put in office, is being "defended" most vociferously by certain opposition parties and their leaders who until recently represented him as a puppet of the incumbent regime. The federal government and its prime minister will have support so long as they operate within the confines of the

Constitution and decisions of the Federal Assembly and so long as they strive to remove the sanctions imposed unjustly.

Unfortunately, there have been quite a few moves outside the confines of the Constitution and decisions of the Federal Assembly. Prime Minister Panic, after his return from international visits, tells the public about the great success of the federal government, while at the same time the sanctions are tightened both toward the FRY and toward the Serbian people in the Serbian Republic. I can in no way agree with his assessment as to the guilt of Serbia or the Serbian people outside the FRY for the dramatic breakdown of the former federal state and for the war imposed on the Serbian people in the krajinas and in Bosnia-Herzegovina.

Army Staff Chief on Steps Against Civil War

93BA0125A Belgrade BORBA in Serbo-Croatian
17-20 Oct 92 p 3

[Unattributed article summarizing statement by Colonel General Zivota Panic, chief of staff of the Army of the Federal Republic of Yugoslavia: "Democratization To Avert Civil War"]

[Text] Belgrade—Yugoslavia's Army, thoroughly depoliticized and freed of the influence of political parties, aware of its capabilities and clear objectives, is ready and able to fully preserve the integrity and dignity of our people and state, said Colonel General Zivota Panic, chief of staff of the FRY [Federal Republic of Yugoslavia] Army.

It obviously does not suit the designers of the so-called New World Order to have a strong and stable state created in this region, which is what the FRY could and must be. So their ultimate goal is to crumble our space further, especially the territory of the Republic of Serbia. Every means of particular effort has been used in management of the Yugoslav crisis from the outside, step by step, and only foreign military force has not been directly used. Unfortunately, certain militant political circles in the world are advocating even that. At this moment the will of the citizens of Yugoslavia and the readiness of their Army to defend the country by every means constitute the main factor deterring a possible aggression against the FRY, Panic said.

Units of the Yugoslav Army [VJ] are guarding a national border 2,697 km long. Present borders with Hungary, Romania, Bulgaria, and Albania are recognized by international agreements. A number of problems are outstanding in securing the borders with the seceded republics, above all because no boundary was drawn or marked with Croatia, B-H [Bosnia-Herzegovina], and Macedonia. Nevertheless, units of the VJ are effectively guarding the state borders, Panic said. The position toward Prevlaka also falls in this context. I want to assure you, the chief of staff emphasized, that if the peace process breaks down and there is any attempt of the Croatian side to go back on what has been agreed,

and possibly to use force in any part of Kotor Bay, the Army of Yugoslavia would respond readily, because that would be an act of aggression against the FRY. The new deployment of units and system of defense in that region guarantees a capability of an effective response.

The security situation in the country is complicated and, what is more, it is deteriorating. The activation of crisis command centers in Kosovo, Metohija, and Sandzak is threatened. There is an increasingly obvious endeavor of the foreign factor, with the help of destructive internal forces, to provoke open conflicts between Serbia and Montenegro and to shatter the unity of the Army of Yugoslavia. There are increasingly numerous indicators that there could be interethnic conflicts in Kosovo, Metohija, and Sandzak. They would be directed above all toward the disintegration of Serbia and secession of certain of its parts, and involvement of the foreign factor is inevitable. That would certainly open up dangerous new sources of war in this region, and they would spread very rapidly, so that in that case the dangers of a regional war would not be slight, Panic said.

Internal political and social tensions, he said, are continuing to grow. External and militant internal political forces are trying to take advantage of the international pressure on our country and the difficulties caused by the blockade for forcible political change and a further undermining of the country's internal stability. All of that could cast the country into the whirlwind of civil war, which would be almost impossible to control. All means of averting that must therefore be used; that is, the process of democratization and movement toward achievement of political senses of the main political forces concerning the vital national interests and interests of the state should continue.

Panic recalled that at the time when the multiparty system was introduced in the former Yugoslavia, most parties fervently advocated removing the influence of politics and political parties from the Army. However, under dictates from outside, and in keeping with narrow party interests, certain parties are now openly attacking the Army of Yugoslavia, attempting to shatter it from within, failing to see reality and the danger to themselves of such efforts.

They would like to create the impression that the Army represents a brake on democratic processes, which is absolutely not true, rather to the contrary, and also that it has supposedly betrayed the interests of the Serbian people. Some people openly appeal to draftees and military registrants to evade military service, which directly undermines defense of the homeland and the security of society as a whole. Also, the demand for draftees to serve where they were born inevitably results in a process of regionalization of the Army in keeping with the scenario we have already seen from the time of the secession of certain republics. Panic specifically warned that there has been illegal military organization in Kosovo, Metohija, and Sandzak. These paramilitary formations of a nationalistic and religious character

might be used in possible interethnic confrontations and also against the Army of Yugoslavia, which is the sole legal armed force of our society.

In a time of great trials for our country, the Army of Yugoslavia rightly expects the support of the citizens and of the state as it transforms itself as rapidly and as securely as possible into a strong and modern professionally trained army, the chief of staff said. The measures which have been announced by the bodies of government to correct the grave financial situation are encouraging, and the Army is completely ready to preserve the integrity of the state, Panic said.

[Box, p 3]

Getting Prevlaka by Peaceful Means

Panic, who presented the views of the General Staff on demilitarization of the strategically important peninsula Prevlaka, said that the entrance to Kotor Bay had always been under the sovereignty of the state which had authority over the entire bay. The only departure from that rule was the arbitrary drawing of internal administrative borders in the first and second Yugoslavias, when one of the pillars of the entrance gate to the bay was awarded to Croatia. Following the disintegration of the SFRY, the problem of Prevlaka has blown up to full proportion as a source of crisis. The armed conflict in the broader region of Dubrovnik in fact began with an attack of the Croatian forces against Prevlaka and the territory of Montenegro, Panic said.

The only permanent solution to the problem is to place Prevlaka under the sovereignty of the FRY. And that is the option on which our state leadership will persist in future negotiations with the Republic of Croatia, within the framework of the Geneva Conference and in other international forums. In our judgment, demilitarization is acceptable exclusively as a transitional solution and as a prerequisite for reestablishing peace, Panic said.

The final solution has to be sought in the context of peace negotiations with Croatia and under the sponsorship of the United Nations. That also means that we must respect political realities and the attitude of the world toward our country, which is gradually seeing that peace cannot return to this region unless the legitimate rights of all parties to the conflict are respected.

The Army of Yugoslavia is leaving Prevlaka in accordance with the Vance Plan for resolving the Yugoslav crisis which was adopted late last year, Panic recalled. It is true that that plan does not explicitly mention Prevlaka, but it says that all forces of the JNA [Yugoslav People's Army] would be moved outside the administrative territories of Croatia after UN forces take up their responsibility. The leadership of the state and the Army assumed that obligation even earlier, and it must now be respected within the context of the Geneva Accords.

Panic warned, however, that if the peace process collapsed or the Croatian side attempts to go back on what

has been agreed and possibly to use force in any part of Kotor Bay, the Yugoslav Army will respond readily.

New Macedonian Electoral Law, System Discussed

93BA0025A Skopje NOVA MAKEDONIJA in Macedonian
28 Sep 92 pp 1, 3

[Article by K. Cangova: "Electoral Law Based on the Will of the People"]

[Text] *The same thoughts expressed by the parliamentary parties, who believe this issue should be a function of the citizen regardless of his affiliation. Dilemmas on the electoral model, majority, whether proportional or mixed. The electoral procedure should lead to the creation of a system for free and fair elections.*

The holding of new elections in Macedonia calls for a fundamental restructuring of the electoral system. People familiar with election matters claim that this does not strictly imply the adoption of an electoral principle, whether based on a majority or proportional, on which are based the numerous choices of electoral models, but involves an entire mechanism of essential categories, a different structural fabric of the system. This includes the electoral rights of citizens, procedures, candidacies, electoral units, electoral timing, penalties for electoral violations, and a number of other categories.

It was specifically on the electoral process that a roundtable was held by the Macedonian Assembly, at which guests from the International Republican Institute in Washington shared their experience with party chairmen, coordinators of parliamentary groups, and officials responsible for drafting electoral laws, in an effort to assist the holding of the forthcoming debates on issues related to overall electoral legislation.

Five Basic Questions

Four topics were discussed: parliamentary systems, electoral units, voter registration lists, and the status of political parties. The U.S. specialists said that the object of drafting electoral laws and procedures in any country is to create a system of free and fair elections that would accurately reflect the wishes of the people but, at the same time, would be honored and considered legitimate by the global community. Such an electoral system should be the work of a government that can achieve a consensus and compromise but that is also prepared to act fairly in resolving all disputes among conflicting interests.

The electoral rules that are to be drafted in the Republic but that no outsider has the right to formulate must meet five basic requirements: total participation of the voters and the access of political parties and candidates to voting booths and ballot boxes; free and open discussions of issues related to the elections and candidates in the course of the campaign, including free and unbiased public media; the prevention of all kinds of manipulations with voting procedures and with assessing the

results at voting places, ensured by the setting up of a central authority for ruling on all actions; the guaranteeing of the secrecy of the ballot of the individual voters; and the ensuring of fair and efficient procedures for appeals and complaints in the course of the entire electoral process.

Advantages and Weaknesses

At the roundtable, members of the parties represented in the Republic's parliament presented their views on the electoral principle. According to Zoran Krstevski of the RSM-LP [Reform Forces of Macedonia-Liberal Party], the electoral model should most directly make possible the free expression of the will of the citizens of the Republic, which will be real only if it is in accordance with the constitutional and political system of our country. Krstevski discussed the advantages and weaknesses of the majoritarian and proportional systems, stressing, in the case of the former, that it is simple and easy to apply because it makes possible the participation of a fewer number of parties in parliament; however, it reduces the possibility of unscheduled elections and distorts the electoral results, whereas the proportional system, which could ensure long-term political stability and democratic integration of religious, national, and other affiliations has its negative aspects, which favor the party elites. The RSM-LP favors a model that would combine the best features of both models and proceed on the basis of the objectives to be reached in accordance with the level of pluralization of Macedonian society. This indicates the need to initiate radical reforms within the system.

According to Esref Almu, representing the PDP [Party for Democratic Prosperity], the new elections should take place within a peaceful climate, which must be preceded by the drafting of a new electoral law, a law on the electoral units and political parties. The new law must be more democratic and more modern and serve the citizens regardless of their ethnic or religious affiliation. We have professional cadres in this area, and everyone in parliament must get to work and promote a dialogue that will make possible the reaching of consensus on the way of holding the new elections. Personally, he believes that, in Macedonia, as a multiethnic environment, the best would be a combined system because, regardless of excessive or minimal complaints, it would provide for a limiting stipulation, a representation of 4 or 5 percent, which is something practiced throughout the world.

The Type of Electoral Model

Tomislav Stefkovski of the VMRO-DPMNE [Internal Macedonian Revolutionary Organization-Democratic Party for Macedonian National Unity] presented the views of that party, according to which it favors new elections but believes that, preceding them, laws must be passed without which such elections cannot be held. He

referred to laws on the president of the Republic, political parties, and citizenship, considering the latter as one of the most essential for proper elections and expression of the will of the citizens. In this historical moment for Macedonia, it is only the majoritarian electoral system that would be consistent and that would ensure an overall respect for the will of the people and the preservation of the Republic as a national state. It is only with such a model that the Macedonian people would have a majority in parliament and any surprises avoided. The proportional system offers scope for the people to rally on the basis of ethnic and religious grounds, which our state does not need in the least, Tomislav Stefkovski said. As to the law on political parties, it should have a stipulation firmly prohibiting the founding of parties under the influence of foreign countries. It should also resolve the issue of financing, stipulating the passage of a law that would make it possible for only parties with a certain number of members—2,000, for example—rather than tiny parties to run candidates for representatives.

If the parties truly demand a new election, it is time to undertake the drafting of laws for such an election. Unquestionably, there will be clashes of views on the choice of an electoral model because there are clear ideological differences. Nonetheless, such work must be undertaken because those who are familiar with this area claim that no less than two months are needed to draft an electoral law, as much time to update voting lists and carry out technical preparations, and two to three months to campaign, so that nothing could be completed before next summer. Naturally, that is provided the representatives have truly decided to surrender their seats.

Autonomy for Albanians in Macedonia Viewed

93BA0013A Skopje PULS in Macedonian 24 Sep 92 p 13

[Article by Mirce Tomovski: "Area Depicted as Autonomous"]

[Text] *Macedonians and Albanians are holding talks, with the EC acting as the intermediary. Is this a new feature in the development of democratic international relations or an introduction to geopolitical talks? A London map depicts an autonomous region for Albanians in Macedonia as one of 10 such areas within the former Yugoslavia!?*

The atmosphere prevailing in the new European democratic relations provides a political framework within which the Macedonia is developing a governmental and legal system. In that context, the Macedonian national landscape has become noteworthy because interethnic relations have naturally become the main issue of democracy, of human rights and civil liberties, and of the political reality that could trigger a crisis with tragic consequences. The proclamation of the Macedonian formula for coexistence as an answer to this dangerous challenge was accepted by the world as a model of

modern multiethnic democracy. This created a climate for the legitimate promotion of the interests of national and ethnic groups within Macedonia—of Albanians, Turks, Wallachians, Gypsies, and all others that are part of the national coloring. Although peacemaking, tolerance, and equality, as well as dialogue, were accepted as an alternative to leading a dangerous life and to hatred, two extremes appeared: The demands, especially those of Albanians in Macedonia, can be considered a threat to the national and territorial integrity of the Republic; according to their political stance, rights and freedoms are viewed as the preservation of the old relations and the updating of a harsh national policy.

In themselves, the extremes should not be considered worrisome. They are a natural part of the democratic situation, and, in Macedonia, they are manifested legally as well as legitimately by the political parties in public life and in parliament. However, they become dangerous, threatening, and antidemocratic when they begin to involve personal ambitions and are linked to national strategies and options, and "secured" with the acquisition and allocation of weapons and with defense units or shock groups. In such cases, confrontations are difficult to avoid.

Does such an interethnic political reality leads to a "replication of Bosnia in Macedonia," although the situation is unquestionably somewhat different? How could we interpret the intervention of the foreign factor (Mr. Gert Ahrens is the representative of the EC) in the talks between Macedonians and Albanians, which are under way and of which several preliminary sessions have already taken place? What kind of demands are being negotiated? Or, if such negotiations are already taking place, why do they fail to include other ethnic groups such as the Turks? Who has authorized the participants Ljubomir Danilov-Frckovski, Vlado Popovski, and Ivan Tosevski versus Naser Ziberi, Mersim Polozani, Mitkhat Emmini, and other "variables," depending on the demands raised in various areas (information, education)?

In the course of a lengthy discussion with PULS, Dzeladin Murati, Macedonian Assembly deputy chairman, defined the following as the central factors in the future of Macedonia's interethnic relations: "Albanians must not be considered a foreign element or a threat to Macedonia or depicted as threatening the Macedonians; mechanisms and instruments must be developed for the defense of national rights and the possibility of consensus on matters of interethnic interest; specific efforts must be made to implement the plan for national and interethnic understanding, respect, and trust; the type of coexistence strategy must be formulated that will not proceed from the concept that the Albanians have assumed the power and organized a parallel authority (Tetovo, Gostivar, Debar) because their authority is based on the Constitution and the laws of Macedonia; there must be no politicizing of the acceptance or rejection of national identity and the use

of the Albanian language in official communications and the assertion of national rights in education and the historical and cultural identity and creativity, the free use of national features, the creation of conditions for opening a television channel and publishing a daily newspaper in the Albanian language, and education in the native tongue in higher educational institutions, which will update the work of the pedagogical university departments, enabling Albanians to acquire a statehood within Macedonia."

Such is the range of the talks. For the time being, no specific information can be obtained on the talks because an alleged embargo on publicity has been imposed by Mr. Ahrens. Whereas Mr. Naser Ziberi, who represents the PDP [Party for Democratic Prosperity] in parliament, has expressed his readiness to hold open discussions, provided Mr. Danilov-Frckovski participates, the current minister of internal affairs has been avoiding contacts, although he is well known for his extrovert nature and his readiness to communicate with the public! Embargoes in politics are not anything new. But neither are the consequences of such embargoes unknown, specifically in the case of the breakdown of the former Yugoslavia. For the first time, we have the involvement of a foreign factor in the most sensitive area of Macedonia's independent and sovereign position. This is enhanced when one is working for Europe, bearing in mind its current policy toward us and, particularly, the experience of the other members of the former Yugoslavia. The cynicism of such a policy, whether promoted by Carrington or Couillier, demands caution because emphasis is given to national groups and territorial rights within autonomous areas of cantons rather than the promotion of the European concept of a civil state in which the free citizen rules! In the case of Bosnia, this meant "modern autonomy," and cantons involved in civil war and bloodshed. The focus now is on the concept that, in Macedonia, autonomy and the division of cantons should not be considered as heresy or separatism! This leads to an absurdity: The international recognition of Macedonia is being dragged out while, conversely, emphasis is given to a fragmentation while autonomy is supported and talks between Macedonians and Albanians promoted! What is being promoted: a sterile policy of coexistence within the state leadership or one involving Macedonia in geopolitical talks?

In a map published in London, Albanian autonomy in Macedonia is indicated as one of the 10 autonomous areas within the former Yugoslavia! The Khaski document, which was never granted any international legal significance precisely in the matter of granting us special status, was rejected as unacceptable, as stated by President Kiro Gligorov. The convening of the London Conference to "help," at least as far as the accepted documents seem to indicate, makes no political sense because such documents are based on the laws and the democratic institutions of the system.

The "promotion" of such concepts (autonomy or special status for the so-called Western Macedonia) risks leading

to civil war and interethnic hatred and conflicts that would be difficult to avoid in this land. The greatest danger is that of presenting Macedonians, Albanians, Turks, Wallachians, and Gypsies, and all other ethnic groups in Macedonia, with a fait accompli—to be accepted exclusively on the basis of their national legitimacy. This would mean the advent of irrationality, as a result of which it would be impossible to explain or understand any specific action or step.

Although the poets have never nurtured the illusion that they could change the world, let us in conclusion quote the great Russian poet Yevgeniy Yevtushenko, who wrote the following to the U.S. writer Olga Carlisle: "I think there are only two nationalities in the world—good people and bad people.... You are American, and we are Russian. Good Americans will always be closer to me than bad Russians, and I am sure that you would prefer good Russians to bad Americans."

Expert on Proposed Economic 'Survival Package'

93BA0120B Belgrade BORBA in Serbo-Croatian
16 Oct 92 p 16

[Article by Mila Jankovic: "Beans for Survival"]

[Text] In the event that money loses all value, the state has to be ready to replace monetary transfers immediately with barter, thinks Dr. Luka Todorovic, director of the Institute for Social Policy in Belgrade.

"This may sound very gloomy, but the survival of some child, old man, or any other person will literally depend on whether a family has a kilogram of beans or flour. That is why I advocated, along with the other participants in the drafting of a federal 'survival package,' that society make thorough preparations in the event that money loses all value, which may very probably happen. Then it would be necessary to replace monetary transfers immediately with transfers in kind. This means that the state has to supply itself with food products, flour, oil, sugar, and other agricultural products, especially beans, that have strategic significance for survival. The same thing also applies to canned goods, powdered milk, and medicines."

This is an important item in the federal package of measures for the duration of the economic sanctions, the basic concept of which was established by Dr. Luka Todorovic, director of the Institute for Social Policy in Belgrade, as one of the experts, and which will be offered to the federal government for its consideration. In response to our request that he date the period for which these interventions are planned, Dr. Todorovic emphasized that the blockade would last at least until the end of [word illegible].

"In the realm of social policy, the federal government does not have a great deal of jurisdiction. These powers belong to the republics. The Serbian government has prepared a good, complete program, without which we would have an incomparably more difficult situation,

and I believe that the same thing is true of the Montenegrins," Dr. Todorovic stated. "We still do not have what other countries had that experienced similar crises—mass starvation and death—but that does not mean that it cannot happen to us and that we do not need to be afraid of it. It was precisely for these reasons that we attempted in this program to find some angle of observation of our own with respect to the existing jurisdictions, and I even suggested the necessity of increasing the federal state's powers."

The experts had very serious difficulties in this job. One of the biggest ones was the lack of relevant, up-to-date data on the state's social welfare picture.

Dr. Todorovic said, "We, for instance, are still dealing with some 'Disneyland' data, as Prime Minister Panic would say, according to which only 1.55 percent of the households, or 2.25 percent of the population of the FRY, are socially jeopardized. That is simply ridiculous. We, therefore, proceeded from certain estimates by the Institute for Economic Sciences that about 40 percent of the citizens are living in extremely difficult conditions. We have even been denied an extremely important fact that any state should have, namely how rich or poor our villages are. The only thing that we know for sure is that it is only in villages that people are still seriously working. The factories have stopped, or will stop, but people are still working in the villages."

"We do not even know," Dr. Todorovic said, "the depth and breadth of the gray economy, i.e., how many citizens have additional, illegal earnings. We are only constructing assumptions, and consciously or unconsciously we are looking at how citizens will cope for the rest of the money. And they really are coping, because they cannot live on what they are receiving. We also lack reliable indicators about the current gross social product, without which a solid and consistent social policy cannot be conducted. Unfortunately, there has never been good will on the part of the authorities in the past for recording this data, and now it is out of the question. Until the sanctions are lifted, until the economy revives, until the private sector is strengthened, and until money is stabilized, we have to approach this problem in a way similar to a war economy."

"I maintain," Dr. Todorovic said in conclusion, "that in spite of what citizens and the trade union think, no one at this time except the state can straighten out the consequences that have arisen. Later on, when it is all over, when we embark upon the transition to a market economy, we have to prepare new, solid programs."

[Box, p 16]

Absurdity of the "Consumer Basket"

"The so-called consumer basket, which is prepared by certain institutions and on the basis of which an adequate price for labor is advocated, is a common absurdity," Dr. Luka Todorovic said. "During a period of serious crisis, certain people are packing bananas,

oranges, Prague ham, and similar products into that basket. In these times the consumer basket has to contain only basic food products and medicines. We have to come to our senses and realize where we are, because people's needs are very flexible and they range from bare survival to the high needs of a consumer society."

Law on Yugoslav National Bank Adopted

93BA0103C Belgrade EKONOMSKA POLITIKA
in Serbo-Croatian 12 Oct 92 pp 28, 29

[Article by Vladimir Grlickov: "Monetary System: Whose Central Bank?"]

[Text] *Organizing the central bank as a joint-stock company presupposes a distribution of its issue returns to the state budget; the sovereign authorities given to the central bank and governor and the demarcation of competence with the state (government) are at the center of the new draft law on the National Bank; what else is needed for us to be able to seriously count on the new issue mechanism through operations on the open market operations and rediscounting?*

The latest draft law on the National Bank of Yugoslavia, which was adopted by the Assembly of the FR [Federal Republic of] Yugoslavia amid objections, contains a series of significant novelties in relation to previous proposals. It could be considered a shift forward in the quest for a market model for the central bank. However, bearing in mind the numerous objections and the fact that work remains to be done on the final version of the law in the form of a proposal for adoption, it is uncertain whether the conceived model of the central bank as a market institution will maintain the basic solution and to what extent such a system will function successfully, even if it is adopted. Much of this depends on the broadest relations and political forces and on the preponderance of those for whom the focal point is sound money and defending the value of the national currency by pursuing a corresponding monetary policy ready to support the process of business and ownership changes in states, banks, and the economy.

Ownership Access

The draft law on the National Bank (Articles 3 and 67) proposes a new type of organization for the central bank. Specifically, it should function as a joint-stock company, with profits as its goal, whereby the main investor of capital would be the state. This type of organization, which presupposes "the creation of startup capital" on the basis of the closing account balances of the national banks (as well as the military service and the mint), is not unknown in world practice, which in this way allows the state, as the primary stockholder, to acquire the right to distribute profits that come primarily from the returns earned by the central bank through monetary operations (prime issue) and foreign exchange transactions. The "departure" of these profits, or according to present-day terminology the surplus of revenues over expenses, from

the central bank to the state budget (or rather the coverage of central bank deficits from the budget) represents a solution that follows the line of securing real funding for budgets instead of doing so through monetary intervention.

This use of the central bank's (or the budget's) surplus of revenues presupposes an essential change in relations between the republics within the framework of the federal state, and their agreement within the current (con)federal system to give up acquired rights and the guarantee of 60 percent of issue returns, which are primarily used to cover losses and to maintain the business-ownership status quo in the economy and at banks.

Objections about constituting the Central Bank as a joint-stock company in which the capital is dominated by the state (in the Assembly debate, this was addressed by Djordje Djukic, the chairman of one of the competent Assembly committees) boil down to pointing out the supposed danger of nationalization of the central bank and its placement under the government's wing. It is clear, however, that this need not be an insurmountable problem that fetters the autonomy and sovereignty of the central bank in pursuing monetary and foreign-exchange policy. Because the central bank loses none of its autonomy and sovereignty in a joint-stock situation in which the state is the majority investor. Specifically this would not mean a controlling right in the hands of the stockholder, but rather only a preferential right that ensures a right to earnings (moreover, it is felt that the very appearance of the National Bank as a legal person means that this danger will be avoided).

One particular question is whether government influence should be eliminated entirely with regard to the pursuit of monetary and foreign-exchange policy. This is because absolute sovereignty by the central bank under the present-day conditions of decisionmaking on republican principles could have a counterproductive effect on the stability of the currency. In fact, the most favorable variant is for the central bank and the state (government) to work and act together on a program leading us out of the financial-economic and social crisis. Moreover, one must bear in mind that in the world it is usually the state (government) that insists on a more lenient monetary and foreign-exchange policy, while in this region things are often different. The government insists on a restrictive monetary policy, while at the central bank, given the management system (consensus by the republics), this is not accepted despite the fact that the central bank (and its governor) are responsible to the present-day parliament.

However, in the present-day parliament it is emphasized not infrequently that responsibility can also be borne for a restrictive monetary policy that has an anti-inflationary function and some sort of defense of the value of the currency.

Authorities

When analyzing the introduction of ownership elements to the central bank, one could object that this is not open to the stockholders of banks and even the public at large, bearing in mind that they, as owners, have no management rights anywhere. But for now it does not appear to be such a shift, primarily because ownership changes should first take place at banks.

That is why so much attention is devoted in the draft law on the National Bank to the sovereign authorities of the governor (Article 15), bearing in mind that this opens up the opportunity for him to take general and individual actions in pursuit of monetary policy and performance of the duties of the National Bank.

These authorities for the governor can be regarded as excessive, which was emphasized in the Assembly, while it was noted that perhaps taking action as part of the performance of duties is a cover for the intention to limit the governor's sovereignty. Moreover, it must be clear that the governor does not have absolute sovereignty in pursuing policy, because the draft law specifies that the establishment of monetary policy (but not the carrying out of concrete measures) be transferred to the National Bank Board (which should not in any way be equated with the current Board of Governors). Besides monetary experts and the top people at branches of the central bank, the members of the National Bank Board would include the minister of finance in the Federal Government (Article 17), which was not accepted during the Assembly debate, the argument being that this would mean state (government) interference in the sovereign affairs of the central bank. It appears that the solution of excluding the minister of finance is not in keeping with cooperation between the government and the central bank on a single anti-inflationary program.

Questions associated with the pursuit of foreign-exchange policy are also covered by the issue of clearly demarcating the competences of the National Bank and of the government. Under normal conditions it would be logical for these questions to be under the jurisdiction of the National Bank, especially in view of its responsibility and rights in connection with managing the foreign-exchange reserves and with maintaining liquidity in relation to foreign countries. In this sense, the adoption of operative measures around the exchange rate of the dinar should fall within its sphere of activity (just as this should be the case with the discount rate). With regard to exchange-rate policy, there are two provisions in the draft law on the NBJ [National Bank of Yugoslavia] (Articles 26 and 38): In the former, it says that the National Bank autonomously establishes and pursues exchange-rate policy, while the second says that it (policy) is established with the Federal Government.

Whether this contradiction is resolved by giving the National Bank exclusive authority to operatively shape the dinar exchange rate is a special question, just as it is unclear whether precisely this option suggests a remnant

of the current system of two exchange rates (official and commercial), which is essentially advocated in the draft law through a formulation hinting at a difference between official and commercial exchange rates.

This difference in exchange rates could be avoided by applying the principle that the policy for shaping the exchange rate be established with an eye to operations on the open market, in which the central bank also participates by buying foreign exchange from currency exchange offices, foreign financial credits, etc. This would presupposed that the NBJ will apply the rule of the market rate when selling foreign-exchange reserves as well.

It is interesting here that the draft law on the NBJ leaves responsibility for incurring foreign debts (credit relations) up to the Federal Government, which could in turn be in conflict with the central bank's authority in terms of shaping the dinar exchange rate. For example, an unrealistic exchange rate set by the central bank (with a realistic, positive discount rate) hypothetically opens up room and interest for an irrational assumption and sale for dinars of financial credits abroad. The consequences of this old practice continue to be felt today in the form of various problems surrounding the repayment of foreign credits.

Perhaps not directly linked to the problem of competence, but related to the regulation about how indebted the government can become to the central bank is the relationship between the state and the National Bank in the area of monetary policy. Specifically, the draft law restricts the state's debt to the National Bank to 10 percent of the state budget, or 15 percent of the total monetary framework. It is not completely clear here whether the very mention of the possibility of the state being in debt in a presumed, long-term, systematic law opens up room for immeasurable use of prime issue for (not only federal) budget purposes.

Judging from the Assembly debate, the delegates do not understand the solution in the draft law as the intention to regard prime issue as a permanent way out for budgets, even though they could want exactly that. Specifically, they feel that 10 percent for budgets is a rigorous restriction that comes at the suggestion of the state (government) itself, which could leave the major "deficit accounts that must be paid" uncovered. In any event, the objections boil down to the demand that prime issue for the budget not even be limited, which would in turn mean hyperinflationary financing without changes in state, republican, and economic structures.

Special attention in the draft law on the NBJ is deserved by the provision (Article 26) on the new issue mechanism in the form of operations on the open market through the buying and selling of securities and rediscounting (where parts of the old system remain in the form of rediscount quotas). Especially interesting is rediscounting that presupposes the withdrawal or "release" of prime issue on the basis of security pledges.

This type of issue mechanism presupposes a monetary orientation by the central bank toward profitable subjects with a proven credit rating.

In addition, it is interesting that such pledges in the form of securities are already in use today, even without the new law, when utilizing prime issue. For example, bonds to supplement the budget can be used to supplement pledges, whereby it is assumed that these are the highest-value securities because they are backed by the state. In this case, however, as with bank and enterprise securities, one should be cautious. Perhaps everything is fine in terms of their payability, but from the viewpoint of valuation and the source of liquidity it is logical to assume that they have not met all market conditions.

Nor does the draft law on the NBJ fully clarify everything regarding possible state deposits and their circulation. The only thing that is said here is that they can be assumed from the NBJ, but there is not one word about how they would be put into circulation (operations on open markets, through the money market, stock exchange, etc.). Of course, these are not the only dilemmas and lackings associated with the basically market-based system advocated in the draft law on the National Bank of Yugoslavia. Thus, the question of relations between the central bank and private banks arises, about which nothing is said in the draft. This question was raised during the Assembly debate, whereby this ownership relationship was regarded with a negative omen. In fact, it all boils down to the proposal that the National Bank continue to protect so-called social banks because, to quote one delegate, they invest heavily in production, reserves, and personal income, while private banks invest only in business! No one in the Assembly mentioned investment efficiency and the business restructuring of banks, or the principles of profitability and security.

Special significance in the draft law on the NBJ is given to trade payments and their transfer from the SDK [Public Auditing Service] to the NBJ. The intention here is for trade payments to be assumed by banks functioning as private companies. It appears that it will be hardest to achieve agreement on this enormous question, and not only in the current Assembly.

The intention is for banks, and not all of them, but rather special financial institutions (competition would be created), to assume dinar trade payments (those in foreign exchange were already under the competence of the NBJ and banks), whereby one should not think that the problems will be solved simply by this mechanical assumption (right now it is a question of a shortage of cash and its redirection into the gray economy). Because right now the trade payments cannot be blamed exclusively for the anomalies, nor can banks and the NBJ, as their bearers, be ensured progress *a priori*. A particular problem will be the technical and personnel qualifications that the Service for Trade Payments has today. By mere virtue of the fact that this involves an expensive

investment, it is certain that changes in trade payments will not be possible immediately, but rather will last over a certain transition period.

Finally, there are a few other minor questions addressed by the draft law on the National Bank. Most important is the one associated with the creation of conditions for the singularity of the central bank, which presupposes the abolition of the current republican national banks and their "conversion to the status of branches." Opposition is based on the assessment that this touches on the sensitive question of the political sovereignty of the republics, but there is also a material interest present due to the possibility of cutting off prime issue, which is possible outside the control of the National Bank of Yugoslavia.

Private Bank Founded by Foreign Company

93BA0103D Belgrade EKONOMSKA POLITIKA
in Serbo-Croatian 12 Oct 92 p 32

[Article by Vladimir Grlickov: "Start of Zepter Bank"]

[Text] Zepter Bank represents yet another in a series of newly founded private (mixed) institutions, but is special in that the owner is a foreign firm, the powerful worldwide company Zepter International, or rather its owner, Mr. Jankovic. Zepter International's investment in the bank represents 51 percent of its capital, or around 4 million German marks [DM], while the domestic investor, which is part of this international company, has invested 49 percent (10 million) in dinars.

Zepter International is active in 17 European countries; the company headquarters is in Switzerland, while the head office is in Australia. It produces and sells ecological dishes, but also has—according to Tomislav Dobric, the president of Zepter Bank—an additional product line of top quality and design. The strength of Zepter International is indicated by the fact that the company has annual gross sales of around DM1 billion. In all, it employs 7,000 workers, including 1,700 in Yugoslavia.

In Yugoslavia it should realize around \$60 million, whereby an important role will be played by goods to be exported to hard-currency countries. New investments in Yugoslavia by Zepter International are possible after the general conditions are created and the blockade and sanctions are surmounted. Within the framework of Zepter in Belgrade, as part of its activities, are the representation of foreign firms and a tourist agency (Zepter Passeport). Since August, the newly founded bank is also part of its activities.

The fact that Zepter Bank began operation during the blockade and sanctions is a handicap. However, President Tomislav Dobric maintains that this obstacle is overcome by the fact that the bank is including its foreign-exchange capital in transactions with foreign countries, while within the country it is developing various deposit-credit activities. Special attention here is given to new forms of obtaining and investing resources.

Zepter Bank bases its credibility—aside from fundamentally accepting the conduct of business based on the principles of solvency, security, and profitability—on a guarantee by a well-known Swiss bank that has numerous affiliations around the world. It has received so-called major authorization to engage in business abroad, and has already established correspondent and current-account relations with world banks.

It is especially important that Zepter Bank immediately began dealing with savings transactions. It has dinar savings in all forms, from classic time deposits to current giro accounts to bank and traveler's checks and credit cards. Interest rates on savings range from 20 percent monthly on nontime deposits (15 percent on giro accounts) to 48 percent on 10-day time deposits to 68 percent for one year. At the same time, active interest rates come to 70 percent on three-month loans and 72 percent on personal loans. The bank has a wide spectrum of possible loans, because it includes approval of consumer loans (at a rate of 70 percent) and long-term loans (70 percent)—of which there are those based on deposits (60 percent), stock (70 percent) and FZP [expansion unknown] time deposits (60 percent). Naturally, there are also loans on current accounts (65 percent, or 80 percent on unauthorized overdrafts).

As far as foreign-exchange savings are concerned, the bank has decided to give depositors domiciled interest, whereby it plans to introduce as a special type so-called annuity savings, for which the investor's interest will be significantly greater. This type of savings would be introduced at the same time as the commencement of payments to foreign countries for client needs and payment of claims for completed exports and services for specific purposes.

The bank's exclusive business premises, with modern equipment in terms of the software and technology of leading foreign banks, is located at the Zepter Business Center in Belgrade, at Bulevar Lenjina 117.

Government Issues Short-Term Bonds

93BA0103B Belgrade EKONOMSKA POLITIKA
in Serbo-Croatian 12 Oct 92 p 18

[Article by V.Gr.: "Securities: Initial Steps"]

[Text] The federal government is trying to take the initial step this year in reducing the role of prime issue in financing the budget deficit, and has projected that 10.7 billion dinars provide real means on the basis of the sale of short-term bonds. That is why it authorized the first issue of bonds last week, amounting to 1.5 billion dinars; this will be followed later by three more bond issues of 2.1 billion, 3 billion, and 4.1 billion dinars. The first bond issue that has already been undertaken, as well as the second one to follow, have a shorter term of maturity of 30 days; the third and fourth issues will mature in 60 days.

Otherwise, these state bonds are being sold on the Belgrade Stock Exchange, through the Money and Short-Term Securities Market, and through banks. They have each been given approximately one-third of the total first issue; to be more precise, the Stock Exchange and the Market are allotted 549 million, while banks get 402 million dinars. In addition, the Stock Exchange and the Market are selling the bonds to legal persons, i.e., banks, firms, and other nonbanking subjects, while the banks are selling only to citizens.

Sales of the bonds are relatively good, so that almost the entire "contingent" that went to the Stock Exchange has been realized, while on the Money Market more than half of the "entitled" amount has been fixed. State bonds do well because they are securities that guarantee a relatively sure return on the investment, besides the possibility that upon maturing in one month they will be exchanged for new bonds from the second issue. The interest rate of 62.55 percent on a monthly level is also relatively attractive; in other words, on the Stock Exchange and Market it is greater on state bonds than on other short-term securities and money traded there. The average weighted interest on the Stock Exchange during September ranged from 50 to 52 percent. The interest rate for state bonds was also attractive on the Money Market: In recent days, it has been around 62 percent on money. Certain problems could emerge because the interest rates on these bonds are fixed; this could be a small handicap in view of all the other investment options with variable interest rates.

One favorable circumstance is the open possibility of the secondary sale (resale) of state bonds, even before the maturity date, which as a principle whose realization presupposes the liquidity of the markets and issuers should constitute one of the basic levers for the success of trading in all securities. This is especially important with long-term securities and the future formation of their value depending on trends in prices and interest rates.

The certainty of a return on security investments constitutes an essential assumption for interest in them. The state is the guarantor of these bonds, which regardless of the character of the source for assuring liquidity (prime issue is one possibility) could under present-day conditions spur the success of subsequent issues and the animation of a new mechanism in trading with money.

Nor is it insignificant that the withdrawal of prime issue is possible on the basis of these securities, in the form of pledges (relending on security). This is yet another "supplement" to the development of a market system in trading with money. At the same time, this must be understood as only a beginning, bearing in mind that all the essential preconditions for this have not been fully developed. For example, there are not enough transactions entered into on the basis of previous, tested credit and bank ratings, or rather a firm as the issuer of

securities and their owners, who enter into a relationship with the Central Bank for these relending on security transactions.

Also significant is the fact that buyers of these state bonds are allowed to pay duty on them for the value of the principal and corresponding interest, which is one of the basic motives of the declared interest by the economy on the Money Market for these securities: Specifically, 50 percent of the agreed sum here has fallen to the economy.

Trade in Securities on the Stock Exchange in Dinars (Cumulative)

January	13,378,300
February	37,289,600
March	162,489,600
April	388,622,606
May	1,269,726,539
June	2,131,825,539
July	3,598,402,987
August	6,237,634,250
September	9,755,347,136

I. Trade on the Money and Short-Term Security Market from 1 October 1992 to 7 October 1992 (in millions of dinars)

Agreed on the Money Market	4,370
Average interest rate	27,181.95 annually (60.81 monthly)
Highest daily interest rate	28,458.98 annually (61.44 monthly)
Lowest daily interest rate	25,360.82 annually (59.87 monthly)
Total supply on the money market	4,443.29
Total demand on the money market	8,147.29

II. Concluded Trade in Securities

	Jan. - Oct. 1992	30 Sept. - 7 Oct. 1992
Total	1,112.2	388.1
—Notes from banks and firms	886.3	62.1
—Federation bonds	226	226
Interest rates		
—For term up to 15 days between 56 and 62 percent monthly		
—For term up to 30 days between 62.55 and 64 percent		

Metal Industry Production Failure Analyzed
93BA0103A Belgrade EKONOMSKA POLITIKA
in Serbo-Croatian 12 Oct 92 pp 25-27

[Unattributed article: "Metal Industry: 1992 Like 1966"]

[Text] Even though efforts are being made to suggest the opposite, the collapse of the metal industry occurred before the sanctions were imposed; with the collapse of the eastern market, factories that were considered rich and successful here were the first to fail; production this year is at the 1966 level, or even lower.

The message going out to workers from high political rostrums is that they will be returning to their factories in a few weeks, or rather as soon as the UN Security Council sanctions are lifted. In this way it is suggested that the sanctions are the reason that factories are lagging in production, leaving workers without jobs and income.

These and similar theories and suggestions are absolutely untenable. The collapse of industry, in this case the part involved in the production and processing of metal (and that part accounts for around 40 percent of the total industry of the third Yugoslavia), was a reality before the sanctions and without them. They are only completing or could finish off a very slow process. Which means that the foundations for the economic, and especially the industrial, collapse were not laid at sessions of the European Community or United Nations, but rather in our very own region. One of the key causes of the breakdown of the relatively strong industrial potential of the former Yugoslavia can be found in the collapse of Eastern European communism, which for several decades was an important precondition for high and lucrative production in our enterprises. The presence of our enterprises in Eastern European markets also shaped their combine-type structure, with multiyear contracts and completely solid prices guaranteed in advance. The sudden and practically unannounced loss of those markets, especially the Soviet one, severely threw the biggest firms in this area out of balance, those in Ljubljana just as much as those in Belgrade or Skopje. Suddenly, the old way of trading disappeared; lucrative but utterly anachronistic and far-removed from the market, it was based on special barter arrangements, with one of the goals being to avoid customs duty and thus make the economic side of the deal more lucrative. In practice, such trading, backed up by multiyear international contracts, also deadened the technological side of the problem at each individual factory, so that the public was soon surprised when the first factories to fail upon the collapse of the eastern markets were those that were considered here to be rich and successful in terms of production and technology.

The second very important factor in the decline of enterprises and their production activity can be found in the beginnings of the disintegration of Yugoslavia. There, at least two factors had an equally detrimental effect. The intensification of the political crisis and the

increasingly certain risks of war made international capital very cautious, so that enterprises of the former Yugoslavia could no longer count on long-term arrangements, but were instead forced to pay for import orders in advance or to secure guarantees from international financial institutions. Whether the course of this economic crisis laid the foundation for the military confrontations or whether the war was imposed by nationalist politicians is completely irrelevant right now; in parallel with the intensification of the situation on the domestic political and economic scene, steps were taken that completely demolished the unified Yugoslav market (for example, Belgrade's sanctions against Slovenia, Ljubljana's reaction in kind, etc.), and all of this actually blocked the enterprises' work. It was utterly impossible to find a quick replacement for the interrupted supplies of Split plastics to Kragujevac automakers, and so on. The European Community sanctions, later expanded and complemented by the UN Security Council, were imposed for completely different reasons, and their effect will be proportional to the extent that industry was already in ruins.

Collapse Began in 1990

Statistics provide the most striking illustration of the fact that the current idleness of workers and factories in the metal industry sector has much deeper causes than those that resulted from the sanctions. This is important to know so that no more illusions are fostered and so that the failures of politics and of statesmen are no longer blamed on circumstances that are not of critical importance to the tragic situation in which the population has found itself. Specifically, the downward trend in the production level of the economy began as early as two and half years ago. Moreover, it was most dramatic in the metal production and processing sector, precisely because that sector inherently gravitates toward technological and production specializations and clearly cannot sustain any sort of market limitations. The following data show clearly what happened:

Indices of Production in the Period 1990-1992
(1989 equals 100)

	1990	1991	1-4	1-8
			1992	1992
Iron and steel industry	80	42	33	33
Machine-building	76	47	33	32
Means of transportation	83	50	39	27
Electrical machines and equipment	78	48	37	35

What has happened in the four characteristic branches of industry is a striking indication of what is going on. Production has fallen to one-third the level before the Security Council sanctions were imposed. The two-month effect of the sanctions is almost negligible, at least on the overall scale. The accelerated sending of workers on unlimited leave (for as long as the sanctions last) is in

fact the easiest excuse for the production self-blockade, the foundations of which were laid much earlier. This does not mean, however, that the sanctions will not influence the further drop in production, for the simple reason that everything depends on everything else in production and the economy. A production slowdown in machine-building or the production of road vehicles directly affects the work of the iron and steel industry. The matter is further complicated by the fact that the reproduction cycle for major consumers of steel was almost uniformly distributed among steel from Slovenia, Croatia, Bosnia-Herzegovina, or Macedonia.

The director of the Iron and Steel Industry Association, Arsenije Jovanovic, an experienced metallurgical worker, says that the situation at ironworks and steelworks is rather confused. The first characteristic of the present situation comes directly from the market, where there is no entry for the line of products that used to come to the former Yugoslavia from outside. The list of products is both lengthy and very characteristic. There are shortages of all sorts of steel cross-sections, rails, rolled wire, seamless tubing, transformer sheets, stainless steel, and so on. On the other hand, surpluses are turning up in the product line from Smederevo and Niksic; stockpiles are accumulating and there is a complete disruption of work at those ironworks and steelworks, which because of their specific technological process are simply unable to maintain any sort of production continuity, even if one ignores the economy of labor. "Practically speaking, we no longer have reliable information about what is happening on the steel market in Yugoslavia," says Jovanovic, adding that a more complete picture could be expected after the survey of dealers recently begun by the association. But the fact that the situation on the local steel market is anything but rosy is indicated by the growth in the stockpiles at the Smederevo and Niksic ironworks and steelworks, despite the irregular and decreased production. As of the end of August, they have increased 40 percent in relation to the situation at the end of the first quarter, and at some ironworks and steelworks they are reaching the equivalent of two months' production.

What happened to industry before the sanctions were imposed and what will happen to it as long as they are in force does not leave enough room for any sort of ideas about a controlled restructuring of enterprises, something that is, moreover, not rejected in any quarters as indispensable and a consequence of abandoning the planned economy. The projects that proceeded from the assumption that a controlled restructuring must mean a drop in economic activity over the course of several years have been replaced by ideas about maintaining economic activity in the territory of the third Yugoslavia through programs for substituting production and products from areas that have in the meantime become new and independent states. It appears, however, that such [passage missing] can take statistical indicators showing that existing enterprises, after they lost their partnerships with enterprises in the territory of the former

Yugoslavia, are no longer operating now. Or they are working at a 1966 level. Large sectors, such as the production of machines for metal- and wood-processing, the entire railroad car manufacturing sector, and even passenger cars (whose share for some models was as much as 100 percent, but in the territory of the former Yugoslavia), are working this year at the aforementioned 1966 level, or even below it. Such production degradation could become an absolute obstacle to any sort of restructuring or to survival on the market. The return by some enterprises or entire sectors to a time more than 20 years ago is not a consequence of the sanctions. It is due to much more dangerous disruptions over a longer number of years, or to be more precise, it is due to the inability of political structures to successfully guide a planned economy which had many elements of market behavior through the crisis.

Sandzak Students To Study in Islamic Countries

*93BA0101B Belgrade BORBA in Serbo-Croatian
15 Oct 92 p 10*

[Article by Z. Saponjic: "To Turkey for a Diploma"]

[Text] Novi Pazar—Approximately 1,000 university students from Novi Pazar, Sjenica, Tutin, and other Sandzak towns will at the end of this month, as matters now stand, depart for full-time studies in Turkey and certain other Islamic countries. This is the result of an agreement between the people in the Sandzak SDA [Democratic Action Party] and the governments of those countries.

According to information from the headquarters of the Muslim National Council [MND] and the Sandzak SDA in Novi Pazar, 750 students will enroll in universities in Istanbul, Izmir, and Ankara and will study at the expense of the Turkish Government. Al-Ashar University in Cairo has approved scholarships for 50 students to enroll gratis, and negotiations are under way, so we are informed, with the Government of the Republic of Croatia on the schooling of a number of Muslim university students from Sandzak. A few months ago, 16 postgraduate students departed for Malaysia, and in December, it has been announced, they will be joined by another group.

According to information here, there is great interest in studying the Islamic countries, and 1,450 applicants have applied for Turkey alone, and Rizah Gruda, who is at the moment in Turkey, will attempt to increase the quota approved to 1,000 students. Places will be sought in universities of other Islamic countries for those who are left over.

"We have not contacted the government of Serbia and the minister of education for the simple reason that a large number of our students have expressed fear of

going to Serbia and of studying at universities there. All of this forced us to take this step," says Rasim Ljajic, secretary of the Sandzak SDA. "To be sure, the Serbian Education Ministry did express a readiness to enroll our students, especially those from Sarajevo University. Some were enrolled in June, the matter is uncertain for those who have now presented their certificates, and many already enrolled decided to study abroad. Most of these are students from Sarajevo University."

Aid for Serbian Health Service Urged

93BA0120A Belgrade BORBA in Serbo-Croatian
16 Oct 92 p 10

[Article by B. Popovic: "Health Facing Catastrophe"]

[Text] *Warning from the Federation of Health Insurance and Health Service Communities of Yugoslavia; health experts estimate that many eradicated diseases, primarily contagious ones, will be resurrected with the decline in the standard of living and with the increasingly poorer conditions for treatment.*

Belgrade—Yesterday the council of the Federation of Health Insurance and Health Service Communities of Yugoslavia sent a demarche to the federal government and to the governments of Serbia and Montenegro for urgent assistance to the health service. The fact that about three million Yugoslav citizens are treated for free, that 980,000 people are uninsured, that about 120,000 family members of our guest workers abroad and about 500,000 refugees are a burden on our health service, and that retirees from other republics for whom no one is making contributions to the long impoverished health service are benefiting from health care, compelled the council's members to react very stormily at yesterday's meeting.

"The time has come," stated Dr. Milos Vujic, the council's chairman, "energetically to seek changes in the health system for the sake of people's health. The emergency situation in health care has already led to where doctors in Vojvodina are again confronting the most complicated cases of TB, mental health is seriously threatened, and psychiatrists have yet to deal with this."

Prof. Dr. Stevan Baljosevic of Pristina also said that the consequences of the impoverished health service had yet to be felt, even though an epidemic of infantile paralysis, brucellosis, and typhoid fever was observed in Kosovo this year.

It is estimated that many eradicated diseases, primarily contagious ones, will be resurrected with the decline in the standard of living, and also with the decline in the conditions for treatment. So far, it was heard, health workers successfully took care of many problems on their own account so that the consequences would not be felt, to the extent that this was possible. Therefore, those minimal resources have to be distributed in accordance with priorities, so that a catastrophe would not happen soon.

This council's members also requested that the federal government regulate certain relationships affecting the market supply of medicines, since, as Dr. Miroslav Mugosa stated, negligence is prevailing in this area, and the health service, which in any case spends 25 percent of its total funds on medicines, does not have any influence over this at all.

It was also said yesterday that during the first six months of this year, health service funds showed a loss of 7,330,541 dinars, which is 14 times higher than for all of last year in Montenegro, and nine times higher in Serbia.

[Box, p 10]

Some 9,000 Wounded

From the beginning of the war events to the end of July 1992, about 9,000 wounded were treated in Serbia's health care institutions. Of that number, 2,505 wounded from Bosnia-Herzegovina have been treated since 1 April. Of the total number, 300 of them had amputated extremities and 100 wounded were paraplegics.

So far 4,198 wounded have received the status of military war invalid, and about 1,000 cases are still being processed.

Kosovo Albanian Proposal to Federal Government

93BA0047A Belgrade BORBA in Serbo-Croatian
2 Oct 92 p 10

[Article by Radojica Barjaktarevic: "Opening the Schools Is the First Step"]

[Text] Exclusive: what is included in the proposed measures sent by Kosovo Albanians to the Federal Government for settling the current crisis in the area of education and culture; in addition to proposals for normalizing instruction in the Albanian language and the state of cultural institutions, for the first time the proposal does not talk about the "Republic of Kosovo," but only Kosovo, and the Federal Government is not called "so-called."

After lengthy examination of the "Education Program for Kosovo and Metohija" offered by the Federal Government headed by Milan Panic, yesterday the Albanians drafted their own education program, which they are offering to the Federal Republic of Yugoslavia [FRY] Government for "approval." BORBA has exclusively obtained the materials "recommending" the normalization of instruction in the Albanian language and the state of cultural institutions in Kosovo. For the first time in two years, the Albanians do not mention the "Republic of Kosovo," and only talk about Kosovo. They do not call the FRY Government "so-called."

In their proposed measures to "unblock and normalize work in the schools and cultural institutions of Kosovo," the political parties and educational "bodies" state that

"instruction in the Albanian language, as well as corresponding cultural activities, are a legitimate and inalienable right of the Albanian people, just as it is the inalienable right of Albanians to have a voice in the construction and administration of their school and educational system and their cultural institutions." "Instruction in the Albanian language and also instruction in the Serbian language are equal forms of instruction," according to the general provisions of the proposed measures; "and in settling the current crisis in the educational system and cultural institutions, the problem must be approached," it states, "as an educational and cultural, civilized issue, without attempts to use schools and cultural institutions for blackmail in settling political disagreements, and primarily in prejudicing the status of Kosovo."

What Has To Be Done

It is also noted that the established system of special and coercive measures and bodies is "senseless and irrational with respect to education and culture," and also that "it has prevented the work of many informational and cultural activities, and disrupted instruction, but has not succeeded in blocking and preventing it." Instruction in the Albanian language, with enormous deprivations and necessary reductions in programs, has maintained full continuity at all levels of education, the education program that has been offered feels.

It is further stated that the problems of instruction in the Albanian language, as well as other cultural activities, affect all Albanians and have a definitely emotional content, and have a very negative impact upon overall social and primarily interethnic relations. As it emphasizes, this is because "it has to do with more than 400,000 pupils and students, over 22,000 teachers, instructors, and professors, as well as the 2 million Albanian people who have been denied their fundamental human and national rights."

A successful solution to the problem of normalizing instruction and cultural activities in Kosovo "would also have a positive effect upon solving Kosovo's other problems." According to the measures proposed by the "coordinating body of Kosovo political parties and educational institutions," the following has to be done:

"1. Abolish the special measures and bodies in all school and cultural institutions in Kosovo and annul and cancel their harmful consequences for instruction in the Albanian language and the work of Albanians' informational and cultural institutions. An alleged elimination of the provisional measures while preserving their negative consequences would be hypocrisy that cannot be accepted and that would only intensify and aggravate the present tensions.

On the Basis of Joint Criteria

"2. Unblock the schools and colleges, and eliminate the bans and obstacles that prevent Albanians, pupils and students, from receiving instruction in schools and colleges, in order to normalize instruction in the Albanian language, in scope, types, degrees, and forms that suit the needs and capabilities of Albanians which existed at the beginning of the 1990-91 school year.

"3. Eliminate all obstacles and blockades that have prevented Albanian educational and cultural workers from exercising their employment rights; ensure normal financing for education in the Albanian language and cultural institutions from the funds from contributions and material production created by the Albanian citizens of Kosovo. Some of the funds appropriated by the Serbian authorities, which have not been paid to Albanian education personnel and cultural workers for almost two years, should be paid within a specific agreed-upon period.

"4. Eliminate the ban on the publication of RILINDJA and restore Albanian-language radio and television, normalize the work of the Academy of Sciences, the Albanian Studies and Historical Institute, the Kosovo Archives, the Library, local radio stations, and branches of Kosovo's cultural institutions;

"5. Permit normal operation by the existing Kosovo educational bodies, the accompanying educational institutions, the Pedagogical Institute, and the Institute for Publishing Textbooks.

"6. Kosovo's schools and cultural institutions should mutually commit themselves to, and jointly advocate, having instruction and programs based on mutual respect for human, national, and universal identities and values.

"7. In order to achieve the above, at the level of Kosovo, municipalities, or individual educational and cultural institutions joint groups should be established to agree on numerous concrete modalities for normalizing education and the work of cultural institutions."

The Albanians state that in the present situation "it is better to have separate institutions, and we are willing to accept the separation of educational and cultural institutions, on the basis of jointly established criteria."

Since the "settlement" of these issues possibly requires lengthy consultation, "the talks and their outcome should not interfere with the beginning of the school year, and so only one thing is necessary, not interfering with the entrance of pupils, students, and instructors into schools and colleges." It is also necessary to take, without delay, "the first necessary step toward normalizing instruction in Albanian—opening school and college premises," as proposed to the FRY Government.

END OF

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